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# RESTRUCTURING AND REVITALIZATION OF THE UNITED NATIONS IN THE ECONOMIC, SOCIAL AND RELATED FIELDS

## Funding operational activities for development within the United Nations system

## Report of the Secretary-General

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# I. INTRODUCTION

1. As Member States pursue more effective strategies to accelerate economic and social development and to help realize the aspirations of people for a better life, there is growing concern that the resources available are not sufficient to carry out these strategies successfully in developing countries. During the past two decades, the level of Official Development Assistance (ODA) has decreased as a percentage of gross national product (GNP) of the Organisation for Economic Cooperation and Development (OECD) countries. Following a small increase from 0.35 per cent of GNP in 1975 to 0.38 per cent in 1980, ODA has gradually declined to its current level of 0.33 per cent. This is less than half of the target of 0.70 per cent set by the General Assembly in 1970. If that target were met by all Member States instead of so few, some $126 billion, instead of $60 billion, would be available annually, and many of the pressing problems that stand in the way of promoting human betterment could be addressed far more effectively (see figure I).

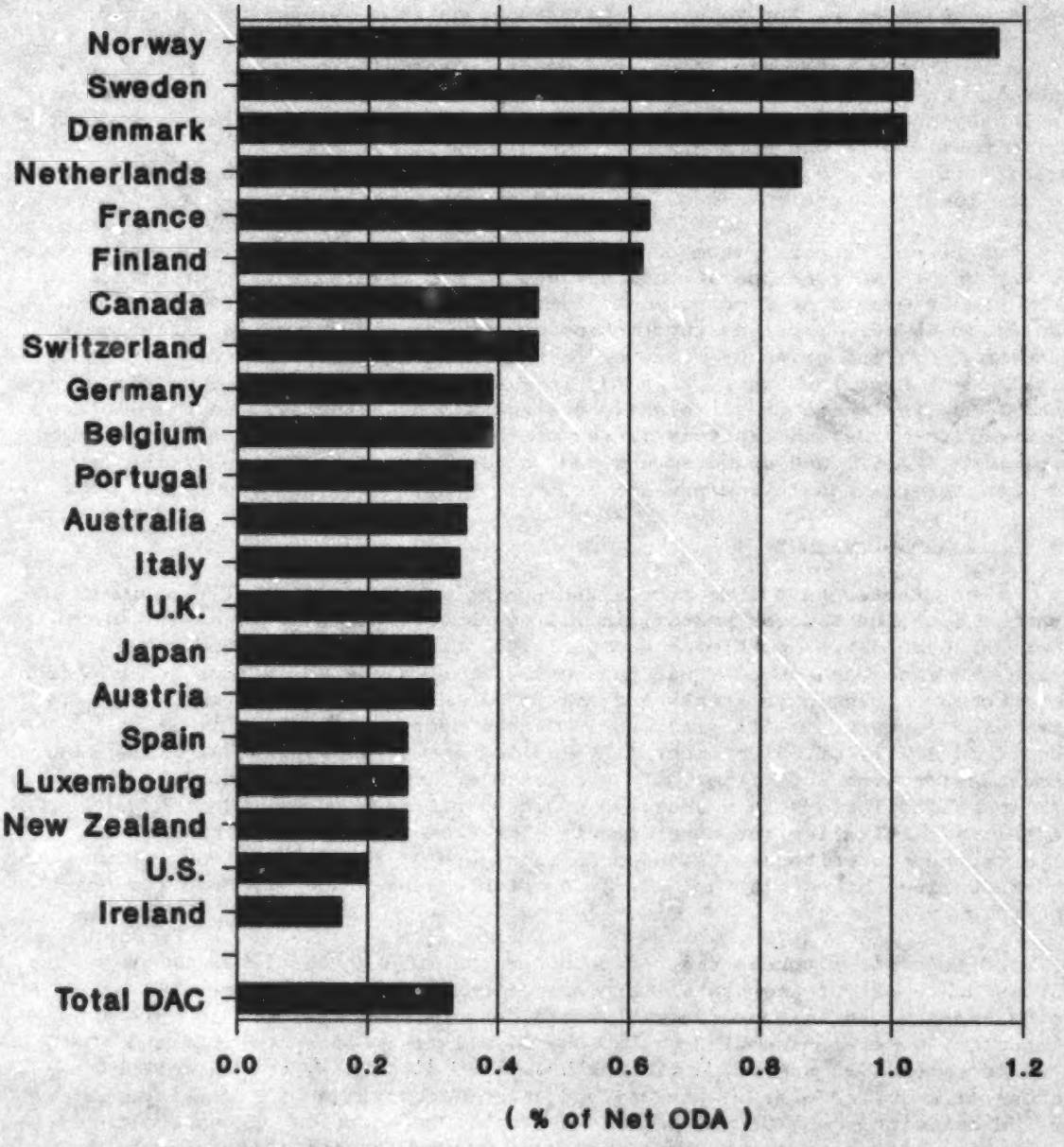
2. The United Nations system has also seen its relative share decrease during the past 20 years. Not only has the share allocated to multilateral institutions within overall ODA declined somewhat over time, from an average of 32.2 per cent in the period 1980-1983 to about 29.5 per cent for the years 1989-1992, but the proportion of contributions by OECD/Development Assistance Committee (DAC) countries to the United Nations system (excluding the Bretton Woods institutions) has similarly gone down from a level of 8.8 per cent in 1975 to 7.8 per cent in 1992.

3. During 1993, there was a serious downturn in the resources made available to the United Nations development funds and programmes. At the same time, the need to finance increasing demands for emergency assistance and humanitarian interventions may have led to reduced levels of funding for development programmes. Currency fluctuations during 1993 have further curtailed resources for development activities.

4. Clearly, the level of resources made available to the United Nations operational activities for development is a reflection of political choices made by the Member States. These, in turn, are shaped by various factors, such as a country's overall economic conditions and prospects; the level of the constituents' support for international cooperation; perceptions of national interest; new requests for aid based on emerging thematic or regional priorities; competing claims of bilateral programmes, multilateral lending institutions, peace-keeping and humanitarian aid operations; and, finally, Governments' assessment of the relative efficiency and effectiveness of the United Nations operational activities for development.

5. Collectively, however, Member States have agreed, through General Assembly resolution 48/162 of 20 December 1993, that, as part of the overall reform process, there is a need for a substantial increase in resources for operational activities for development on a predictable, continuous and assured basis, commensurate with the increasing needs of developing countries.

Figure I. Official development assistance as a percentage of gross national product, 1992




Source: OECD/DAC 1993 development cooperation report.

6. In the same resolution, the General Assembly concluded that any new funding system should include mechanisms for all participating countries to demonstrate their responsibility and commitment to the programmes and funds. Such mechanisms should distinguish between the financing arrangements for contributions by developed countries and others in a position to do so, as against the capacity for voluntary contributions from developing countries.

7. Also in the same resolution, the General Assembly requested the Secretary-General to review and analyse possible changes and improvements in the present funding system, including, but not limited to, multi-year negotiated pledges, and to submit a report with his recommendations in April 1994. The report could include, if possible, an assessment of the likely impact of each option on the overall level of funding and on the level of contributions.

8. The present report, submitted in response to that request, briefly reviews how the United Nations operational activities for development are funded, identifies the current funding mechanisms of the programmes and funds covered by resolution 48/162, provides information on some of the major trends in their resource flows and gives an overview of some funding mechanisms used by other multilateral organizations. Finally, it examines the functioning of the various mechanisms, including their relative strengths and weaknesses, in the light of the specific needs and characteristics of the programmes and funds affected by resolution 48/162, and draws some broad conclusions on the basis of the issues and options examined in the present report.

## The challenge of change

9. Member States have long recognized operational activities for development within the United Nations system, including their financing, as an integral and important part of the work of the Organization in the economic and social fields. How to enhance the quality and impact of these activities and to place their resource base on a stable and secure basis has, however, remained a continuing concern. As far back as 1977, the General Assembly, in its resolution 32/197 of 20 December 1977, called for a real increase in the flow of resources for such activities on a predictable, continuous and assured basis. It also called for a single annual pledging conference for all United Nations operational activities for development. The fact that the Assembly, after 15 years, had to reiterate those words in regard to the financing of operational activities indicates that the underlying problems have not yet been addressed successfully.

10. The need for a substantial increase in the funding level has to be addressed as part of the overall process of restructuring and revitalization of the United Nations in the economic, social and related fields. In this connection, General Assembly resolutions 44/211 of 22 December 1989 and 47/199 of 22 December 1992 are of particular relevance since they set in motion a process of major reforms in the way operational activities for development are carried out within the United Nations system. The adoption of resolution 48/162 by the Assembly has resulted in a restructuring and streamlining of the governance of the United Nations funds and programmes. The stage is now set to review, in a comprehensive manner, the adequacy of the level of resources

available for these programmes and what modalities and means can be considered for putting those resources on a more stable, predictable and assured basis.

11. To the extent that the level of resources available for the United Nations operational activities for development is first and foremost a matter of political determination by Member States, no funding mechanism can, by itself, determine the total flow of resources.

12. The Charter of the United Nations commits Member States, in its preamble, to employ international machinery for the promotion of the economic and social advancement of all peoples and, in Article 56, to take joint and separate action in cooperation with the Organization for the achievement of the purposes set forth in Article 55. Given a clear and strong commitment to finance the United Nations development activities at an adequate level, appropriate funding arrangements should be devised to enhance the stability and predictability of resource flows and establish an equitable basis for burden-sharing among Member States.

13. The United Nations has inherent strengths and advantages as an instrument of multilateral development cooperation that cannot be duplicated. Thus, the United Nations is uniquely placed to address the numerous and diverse needs of the developing countries, as its universality, its democratic governance and its global operational network allow it to act in a manner that responds to donor and programme countries alike. Moreover, the United Nations cannot exist as a strong force for peace unless it is also a strong force for development.

14. Some of those strengths, and some of the substantive areas where the United Nations system has a clear comparative advantage, are outlined in the present report. The record of the United Nations system in development cooperation shows many successes. Perhaps they need to be better projected. The achievements of the reform process within the United Nations also deserve more international recognition. The men and women world wide who, through their taxes, have contributed to the many economic and social achievements of the United Nations should be given a more comprehensive and convincing overview of what has been achieved. This presents a challenge to the United Nations and its development funds and programmes. Member States, moreover, can help win public support for the development role of the system through their own public information efforts. Such efforts, in turn, should strengthen the political will that is a prerequisite for greater support for the funding of the United Nations development activities.

15. As the world faces new problems and challenges, the United Nations, through its global conferences and other negotiating mechanisms, provides the international community with a unique forum to reach a consensus on policies and programmes that will respond to those challenges. In reaching a consensus, all countries have an equal voice. Once a consensus has been reached, all countries have an equal responsibility to implement the agreed policies and programmes. No other global mechanism exists that allows countries to solve common problems on such a universal basis of equal participation. The United Nations has raised and addressed issues which are vital to the survival of the planet, such as development as a means to create conditions of peace and stability, the needs and rights of children, the hazards of environmental deterioration and the

impact of unbridled population growth, on a global basis, and has sought solutions that can be supported by all countries. Moreover, the United Nations has the global network to monitor, coordinate and assist Member States in the implementation of measures required to translate such a consensus into reality.

16. The United Nations has been successfully engaged in operational activities for several decades with a range of actions to alleviate poverty in rural and urban areas, bringing relief and hope to the most disadvantaged, providing child immunization, population and environment programmes, and fostering a consensus for human development. The United Nations is heavily engaged in adapting programmes and their delivery mechanisms to the changing requirements, including by enhancing efficiency and coordination through the implementation of General Assembly resolution 47/199. The United Nations must remain a strong force for development, particularly on behalf of the poor majority. The practical links among peace, security, humanitarian assistance and development require the continuing full involvement of the United Nations through its operational arm. But the United Nations can carry out these tasks only if there is strong political support for its development activities. And political support must be expressed in tangible commitments from Member States.

## II. UNITED NATIONS OPERATIONAL ACTIVITIES FOR DEVELOPMENT: THE PRESENT CONTEXT, THE COMING CHALLENGE

### A. Principal characteristics of the United Nations system of operational activities for development

17. Operational activities are generally understood as those that are undertaken with the objective of sustaining or enhancing economic and social well-being, involving the transfer of resources to developing countries or regions in a tangible or intangible form. As distinct from operational activities of an emergency nature, which provide immediate assistance, these activities are focused on development goals and seek to mobilize and enhance the potential and capacities of countries to promote their own economic and social progress.

18. The evolution of the operational activities within the United Nations is the result of specific responses, in a given context, to emerging needs or major international events. It is, therefore, a complex, heterogeneous and decentralized system, but one whose fundamental characteristics are unique given their universal, voluntary and grant nature, neutrality and multilateralism, and their ability to respond to the needs of the developing countries in a flexible manner, at the request of those countries and in accordance with their own policies and priorities.

### B. Present historical context and new challenges

19. A new and emerging dimension to the current operational activities is the present historical context that the General Assembly referred to in its resolution 48/162: the end of the cold war, the increasing interdependence of nations, the increasing globalization of the world economy and the growing

linkages between economic, social and related issues. This provides a new window of opportunity to revitalize the operational activities for development of the United Nations, so as to provide an anchor for international development cooperation.

20. There is also a greater awareness that development and peace are interlinked, that social harmony and strategic stability are interconnected, and that sustainable human development could be one of the most cost-effective pre-emptive instruments for global peace and security. The international climate is now potentially less confrontational and more conducive to constructive dialogue and concrete action.

21. The potential contribution of operational activities for sustainable and human-centred development could increasingly involve the nexus of social programmes, trade, investment and technology. This is clearly an area where the diversified and unbiased approach of the United Nations might represent a comparative advantage over other sources of aid and funding. A new challenge for technical cooperation would be to assist countries on "upstream" activities like supporting the building of capacity in areas such as strategic development planning, policy development, privatization, aid coordination and effectiveness, external resources mobilization, and market access and reforms. The United Nations, in particular, could contribute in this area without losing sight of social issues and with a clear focus on the needs of vulnerable sections of societies.

### C. Relief to development continuum

22. A growing new dimension that needs strong United Nations operational support relates to integrating international efforts linking emergency relief, rehabilitation, reconstruction and long-term development. Although international intervention and aid in all these areas is, and will be, governed by different dynamics and objectives, it is important to ensure that they have a synergistic effect and that the development dimension should be built into all stages of this continuum.

23. While emergency aid is important and is supported by strong constituencies in donor countries, the fact that it touches only a relatively small percentage of people in distress should not be overlooked. People living under conditions of absolute poverty are as much in need of sustained emergency aid as those that are afflicted by floods or famine. Investment in long-term growth and sustainable human development will mitigate, if not pre-empt, the cost of crisis management.

### D. Operationalizing global agreements

24. The United Nations system contributes substantially in translating the agreements and recommendations reached at global conferences into specific action at national, regional and international levels. The follow-up to such major events as the United Nations Conference on Environment and Development (UNCED), the World Summit for Children, the forthcoming conferences on

population and development, women and human settlements and the World Summit for Social Development, as well as international conventions on issues such as climate change and biodiversity, will require not only policy advice but also technical assistance to help Member States to build the human, institutional and technological capacities required to confront new tasks.

25. Many of these new agreements and policy initiatives call for renewed efforts by Member States to mobilize the resources required for their implementation. It would seem natural that a significant part of such resources should be channelled through the United Nations system. Such a concerted approach to resource mobilization should lead to a higher level of funding for the development activities of the United Nations, commensurate with the new tasks.

### E. Cross-sectoral issues and transforming technologies

26. Furthermore, in the present international context, cross-sectoral issues such as employment, women in development, technology, population and the environment are increasingly coming to the forefront of global and national agendas. The United Nations system is clearly in a unique position to contribute to the elucidation and concretization of these linkages, and to play an intermediary role through its operational activities.

27. Some of these cross-sectoral issues are also some of the most sensitive. Access to advanced technologies, sometimes called transforming technologies, for example, is a crucial matter for many developing countries. Global productive processes are rapidly being transformed by technologies such as micro-electronics and biotechnology; increasingly, the efforts of developing countries to accelerate their economic growth on a sustained and sustainable basis will depend on their ability to obtain affordable access to and capacity to use these technologies. The United Nations plays a facilitating role in this regard by strengthening the capacities of developing countries to acquire and absorb new technologies.

## III. FUNDING MECHANISMS: OVERVIEW, ISSUES AND OPTIONS

### A. Overview

28. The four major funds and programmes covered by the present review evolved on the basis of separate mandates and distinct identities, which also produced a diversity in their funding methods. That diversity is illustrated by the brief descriptions contained in annex I to the present report. Thus, the United Nations Development Programme (UNDP), in focusing on technical cooperation, has increasingly relied on non-core resources in recent years involving third-party cost sharing, cost sharing by recipient countries and trust funds. In 1993, 32.6 per cent of UNDP resources derived from these sources, whereas in 1985 their share stood at 14.2 per cent.

29. The United Nations Children's Fund (UNICEF) has a distinctive funding approach in that it uses a broad base of public and private contributors and

diverse channels for mobilization of resources. While most of the funding is contributed by Governments, it consists of three types: general resources, regular supplementary funding and emergency supplementary funding. One quarter of UNICEF resources comes from private sources.

30. Contributions to the United Nations Population Fund (UNFPA) also involve core and non-core resources, as well as fees from other funding organizations for procurement services. The percentage of third-party cost sharing has, however, remained small, not exceeding 5 per cent of total contributions.

31. Contributions to the World Food Programme (WFP) are made in food and cash. Commodity pledges are made in either monetary terms or physical quantities. As compared to the other three organizations, the major contributions to WFP are made by a relatively smaller number of donors. In the past few years, a significant shift has taken place towards relief assistance, which in 1993 accounted for two thirds of the resources of WFP.

32. All the funds and programmes were affected by a significant downturn in contributions in 1993. UNDP experienced a 15 per cent reduction in core resources. The shortfall is forcing UNDP to restrict commitments to 70 per cent of Indicative Planning Figures (IPFs). Overall, UNDP's current five-year cycle (1992-1996) is 19 per cent below the previous cycle (1987-1991). UNICEF also faced a serious reversal in contributions in 1993, bringing the level down by nearly $150 million off the peak level in 1992 of $688 million (of which $262 million came from supplementary funding). The drop in UNFPA contributions in 1993 was $18.4 million, from a level of $238 million in 1992. While resources made available to WFP have almost doubled over the past few years, in 1993 some two thirds of resources were for relief assistance, part of which was designated for specific operations. The resources for WFP's development programme in 1993 constituted some 33 per cent of total resources, reflecting a slight decline in absolute terms compared to the peak levels recorded in the second half of the 1980s. Thus, despite their varying funding sources and methods, the resources being channelled through the four funds and programmes seem to be affected in similar ways. The variation in mandates and resource mobilization strategies did not protect them against underlying financial, economic and political factors which shape the decisions regarding the level of contributions by Member States.

## B. Major funding mechanisms

33. In addition to the system of voluntary pledges, which is the main funding mechanism at present for the organizations carrying out the operational activities for development of the United Nations, there are several other funding mechanisms and methods currently being used by multilateral organizations which deserve to be examined.

34. Each of these mechanisms has its own characteristics. While it is generally assumed that a system of voluntary pledges offers the greatest flexibility to donors, it represents the most volatile option to the recipients: at the other extreme, assessed contributions offer the least flexibility to the donors, but they offer the greatest stability to the beneficiaries. In reality,

there is relatively little difference between the two if Member States do not honour their commitments.

35. The most common funding mechanisms and their characteristics are examined in this section. The relationship between funding mechanisms and governance is also touched upon.

36. Most organizations rely on a variety of funding mechanisms simultaneously. UNICEF, UNDP, UNFPA and WFP alike all have various mechanisms supporting their resource flows in addition to voluntary contributions, such as supplementary funding, cost sharing, third-party cost sharing, trust funds, emergency appeals and ad hoc pledges. The specialized agencies of the United Nations system similarly depend on a mix of funding methods, including assessed contributions, voluntary contributions, trust funds and special emergency appeals.

### 1. Voluntary pledges

37. This is currently the most widely used approach by the United Nations funds and programmes; its impact is extensively described in annex I below. The approach is based on General Assembly decisions that participation in the operational activities for development of the United Nations should be voluntary, and it allows for a very flexible response to a range of different needs and purposes. It also allows different constituencies within donor countries to channel resources to their preferred programmes. It does not involve a debate on countries' perceived ability to pay; each country pledges what it can, purely on the basis of its own level of support for the activities it has selected.

38. The drawback of voluntary pledges is their volatility. Efforts have been made in the past to mitigate some of the negative effects of the voluntary pledge mechanism. For example, in 1983, UNDP's Committee of the Whole put forward a number of ideas, including the concept of optional, multi-year voluntary pledges, which was used by a few donors in the 1980s at UNDP. Under such a system, countries might be requested to establish a floor to their contributions which would be maintained for a three-year period, thereby, in fact, establishing a practice of advance notice.

### 2. United Nations Pledging Conference for Development Activities

39. In order to enable Member States to make their voluntary pledges, the General Assembly has created an annual United Nations Pledging Conference for Development Activities. As of 1993, 22 funds and programmes for operational activities of the United Nations were covered (see annex II). The current pledging conference mechanism was created as an outcome of resolution 32/197, through which the Assembly, as early as 1977, tried to lay the foundation for a coordinated approach to the funding of the United Nations operational activities for development on a predictable, continuous and assured basis. In 1990, by its resolution 45/215 of 21 December 1990, the Assembly reaffirmed the importance of the United Nations Pledging Conference for Development Activities, and decided

that it should remain the principal opportunity for Member States and others to pledge their contributions to United Nations development activities, that it should continue to be convened early in November and that its basic format should remain unchanged. WFP, which comes under the purview of both the General Assembly and the Food and Agriculture Organization of the United Nations (FAO) General Conference, has its own pledging mechanism.

40. The Pledging Conference is not the only channel through which resources are committed to these many funds and programmes; many countries are not able to pledge at the Conference because of domestic constraints, often linked to their budgetary calendar, others make ad hoc contributions to one or more of the funds concerned outside of the pledging mechanism. Most importantly, as mentioned earlier, the resource mobilization mechanisms of the funds and programmes themselves have many channels in addition to the Pledging Conference: cost sharing, supplementary funding, third-party cost sharing and emergency appeals all occur outside of the context of the Pledging Conference.

### 3. Assessed contributions

41. The assessment method might, in principle, be considered as the most effective approach to placing fund-raising on a predictable and stable basis, provided Member States make timely and full contributions in accordance with their assessment. Under this method, the amount of contributions from individual countries depends on a formula determined in advance for a specific period. The assessed contributions criteria generally include per capita GNP, the size of population and the share of trade in GNP. The regular budget of the United Nations is a well-known example of assessed contributions. It unfortunately also illustrates some of the drawbacks arising from non-payment by Member States. Thus, this option by itself does not always ensure a stable resource base.

42. An advantage of the method is that the major criterion in recommending a scale of assessment for a Member State is the country's capacity to pay. Recommendations are made for periods of two or three years, and, once the General Assembly has made the assessments, changes are not normally introduced unless conditions have changed significantly. While there are shifts in levels of contribution over time, these are usually gradual, as the capacity to pay of countries does not normally change significantly from one year to another. This ensures a relatively high level of predictability and stability under the assessment method, provided Member States fulfil their obligations.

43. While the application of a scale of assessment to the funding for all operational activities for development of the United Nations could introduce an element of stability, it would, at the same time, affect their voluntary character. It could also deter those Member States who would like to contribute in excess of their assessment.

44. One option that has been considered in the past is to apply the scale of assessment to the fixed administrative costs of the funds and programmes delivering the United Nations development activities, while maintaining the system of voluntary contributions to meet programme costs. (See, for example,

the report of the Administrator of UNDP to the Governing Council dated 5 April 1982 (DP/1982/15, para. 42.)

### 4. Replenishment system

45. The replenishment approach is used by many multilateral financing institutions. Upon creation of the institution, a firm overall target is agreed upon by all concerned. Funds are then made available to ensure the institution's functioning for a first, fixed-term period. Subsequently, a new target is established, and the resources of the institution are replenished for a further fixed-term period. This approach involves negotiations in order to establish a target, and, once agreement is reached, financing assumes the nature of a firm multi-year commitment. Examples of major institutions operating on the basis of the replenishment approach are the International Development Association (IDA), the International Fund for Agricultural Development (IFAD), the European Development Fund of the European Union, and the Global Environment Facility (GEF). Their financing mechanisms are described in annex III below.

46. The replenishment mechanism offers a relatively higher level of stability and predictability for a fixed-term period, once agreement has been reached on the financing level for that period and once it becomes clear what share each country has to pay. Where these shares are closely linked to a scale of assessment, as is the case in the European Development Fund, this mechanism also provides long-term stability. Where the level of replenishment has to be renegotiated from a position that does not take previous contributions into account, and where there is disagreement about burden-sharing, the replenishment mechanism does not bring any guarantee of predictability or continuity. The decline in resources for IFAD, described in annex III below, illustrates the inability of the replenishment model, by itself, to cope with a changing international environment.

47. Moreover, there is a potential difficulty owing to the usually rather short period for which Governments can make firm financial commitments on the basis of their budgetary cycle and the longer periods of commitment required by the replenishment model. For this reason, the European Union has cast its funding process for the European Development Fund into the shape of a series of international treaties. Once these are ratified by parliaments, they are binding on Governments and therefore supersede the normal budgetary process since a legal obligation to pay has been created. In other organizations requiring long-term replenishment, commitments are made subject to parliamentary approval, and funds are transferred in instalments.

48. As indicated in the case-studies presented in annex III, there is a close relationship in the replenishment model between the levels of funding provided by individual donors and governance of the institution concerned.

## 5. Negotiated pledges

49. The concept of negotiated pledges assumes that a group of donors can develop common, objective criteria in order to establish each partner's contribution towards a commonly accepted target. Indicators which can be considered, such as GNP and population, are numerous, and the relative weight given to each indicator can vary. A scale of assessments agreed to previously can be the basis for such negotiations, or completely new criteria can be introduced. But, as is the case for all options, there is always a political element, linked to the notion of burden-sharing, that affects the outcome of the negotiations.

50. The example of IFAD illustrates the potential drawbacks of such an approach when it comes to mobilizing the maximum in revenues for a commonly shared goal; as donors look to each other's relative ability and willingness to pay, instead of being guided purely by their own commitment, the reluctance of a few contributors can lower the ceiling for all.

51. The example of the European Development Fund, on the other hand, demonstrates that, if the political will exists, negotiated pledges can present a fair and transparent model to ensure equity in levels of contribution. In this model, there is a close correlation between the European Union's scale of assessments and the European Development Fund's allocation scale, and there is a level of common understanding implicit in the arrangements which may, however, not be easy to duplicate in a less homogeneous setting.

## 6. Mixed funding mechanisms

52. In this context, one should recall the proposal by the Nordic countries 1/ for a system that would broaden the funding base of the funds and programmes, which so far have relied on voluntary funding. The proposal would combine three sources of funding as follows:

(a) One source might be based on assessed contributions from all Member States. The purpose is to emphasize the principle of shared responsibility among all members;

(b) Another source, which would raise the bulk of the resources, would be a process of negotiated pledges. Such a process would have features similar to the replenishment exercises of the "soft windows" of the international financial institutions. The strength of these replenishment processes is that the volume is related to defined objectives and that burden-sharing is negotiated in a unified context;

(c) A third source would, as is the case at present, be voluntary contributions.

### C. Comparative analysis of some aspects of the funding mechanisms

53. It might be helpful, following the case-by-case analysis done so far, to assess categories of attributes of the current funding mechanisms. This assessment might best be done in relation to some of the desirable characteristics of any effective funding mechanism. The three characteristics which stand out, in addition to the principles contained in the sixth preambular paragraph of General Assembly resolution 47/199, that is, universal, voluntary and grant nature, neutrality and multilateralism, are increased levels of commitment commensurate with the needs of developing countries; assured and predictable levels of contributions; and burden-sharing on an equitable basis.

54. As concerns the increased levels of contributions, all funding mechanisms are subject to the general observation made earlier that the level of resources is not primarily determined by any given funding mechanism. Evidently, the degree of flexibility varies among the various funding mechanisms, with the greatest relative flexibility under voluntary contributions and the least under assessed contributions.

55. The predictability and assured availability of resources can vary with the length of time for which contributions are made and the firmness of those commitments. Therefore, it would appear that the replenishment system and multi-year, negotiated pledges would tend to achieve this purpose best, whereas the voluntary system would seem least likely to achieve this goal.

56. While the burden-sharing issue is essentially a political matter to be resolved among Member States, the system of assessed contributions among a defined group of contributor countries seems to provide the most suitable framework to achieve consensus on the basis of objective criteria.

57. In this context, it is interesting to note that there are considerable differences among the OECD/DAC countries in the percentages of GNP that they allocate to ODA, ranging from less than 0.2 per cent to well over 1.1 per cent (1992 figures, see annex I, table 2). Similarly, the voluntary contributions from these countries to the United Nations development activities fluctuate widely.

58. The rapid growth in cost sharing for UNDP from programme countries demonstrates that the developing countries are increasingly willing, and able, to participate in the funding of United Nations development activities. It may also be of interest that many developing countries have now become net donors to UNDP. Moreover, a number of developing countries make significant contributions (see annex I, table 5).

59. Other elements that affect funding in a significant manner are the system of governance and the allocation criteria employed. Thus, under the replenishment model, governance seems to be organized around the level of contribution, while in other systems the link is not a direct one. Concerning allocation criteria, these are based either on a universal formula, as in the case of UNDP core resources, UNICEF general resources and UNFPA resources for the four-year rolling plan, or they are allocated thematically through a trust

fund either with a broad scope or designed to finance specific activities or projects within a country.

60. Funding mechanisms also need to be assessed in relation to their ability to deal with currency fluctuations. In systems that foresee contributions in baskets of currencies such as special drawing rights (SDRs) (for example, SDRs for IDA and European currency units (ECU) for the European Development Fund), the effect of fluctuations is borne by the donors. On the other hand, under systems that permit contributions in national currencies the exchange risks are shifted to the programmes concerned, leading to substantial fluctuations in the level of resources available to them from one year to another.

61. Experience with current funding mechanisms suggests the value of flexibility and diversity in responding to the wide range of needs of developing countries. As reviewed in the present report, the funds and programmes have developed over time various combinations of funding methods without affecting the basic voluntary nature of their financing. This flexibility and diversity needs to be preserved.

62. At the same time, some non-traditional approaches to financing, such as international taxation, debt-for-development swaps (which were pioneered by UNICEF in the debt-for-child-development programme in 1989) have been discussed over many years in different forums as additional methods for funding development activities. The experience of UNICEF in private sector resource mobilization, particularly through special appeals, has proven to be successful.

## IV. CONCLUDING OBSERVATIONS

63. The present report deals essentially with the first request addressed to the Secretary-General in paragraph 33 of General Assembly resolution 48/162, to review and analyse possible changes and improvements in the present funding system. In formulating the second request in that paragraph, Member States were undoubtedly aware of the inherent difficulties of the matter, since they worded it as follows: "the report could include, if possible, an assessment of the likely impact of each option on the overall level of funding and on the level of contributions". In the course of the preparation of the present report, it became apparent that in order to proceed with that assessment, Member States would need to provide further guidance on the options that might be pursued. The Secretary-General would be prepared to explore this question with Member States, including consultations with them on their eventual reactions to different options and the likely impact on resource decisions. Without a prior determination of options and the eventual scope of consultations with Member States, the Secretary-General is not in a position to provide an assessment at this time.

64. In the meantime, it should be reiterated that any funding mechanism would meet with difficulties unless the stagnation in the share of ODA received by the funds and programmes is reversed. In this regard, and given their relative importance and impact on the total resource picture, positive action by major donors is particularly important at this time; greater support is essential from those donors and from others in a position to provide it. Moreover, it is of

vital importance to the future course of operational activities for development that the traditionally strong supporters continue their highly valued commitment. It represents an essential ingredient for strong support and international solidarity for multilateral development cooperation within the United Nations system.

65. As a matter of immediate attention, two steps could be considered at this time which would have a beneficial impact. One would be to agree on a system of relatively firm, three-year resources targets. Member States would be in a position to indicate their intentions on resources within such a time-frame. The second step would involve dealing with losses as a result of exchange rate fluctuations, perhaps by making contributions in SDRs. Both steps would add a crucial element of stability and reliability into a system that must operate on the basis of multi-year planning, but is subjected to short-term fluctuations.

## Notes

1/ See The United Nations in Development, final report of the Nordic United Nations Project (1991), sect. A.3.6.

## Annex I

## Profile of the four major United Nations development organizations

1. The present annex provides a profile of the funding mechanisms and resource trends of the four major organizations affected by General Assembly resolution 48/162 of 20 December 1993: the United Nations Development Programme (UNDP), and its associated funds, the United Nations Children's Fund (UNICEF), United Nations Population Fund (UNFPA) and the World Food Programme (WFP). They all have in common that they are voluntarily funded, but, as will become clear from the following descriptions, there is considerable diversity in the manner in which these organizations mobilize resources. These differences are closely linked to their individual mandates and constituencies.

### I. UNITED NATIONS DEVELOPMENT PROGRAMME

2. UNDP is the world's largest multilateral grant development assistance organization, serving more than 175 developing countries and territories through a network of over 128 offices world wide. It is one of the key instruments of the United Nations in discharging its mandate to promote conditions of economic and social progress and development. The UNDP resident representatives normally serve as resident coordinators and carry the overall responsibility for, and coordination of, operational activities for development of the United Nations system.

3. The goal of UNDP is to assist the developing countries in building self-reliance and in enhancing their capacities for sustainable human development, which not only generates economic growth but distributes its benefits equitably, protects and regenerates the environment, empowers people and enlarges their choices and opportunities.

### A. Core resources

4. Voluntary contributions made to the core resources of UNDP for 1993 amounted to $910 million, a reduction of 15 per cent over the 1992 level. An additional $50 million was pledged for the programmes administered by UNDP, compared to $56.1 million the year before. It may be recalled that the UNDP Governing Council had, in its decision 90/34 of 23 June 1990, foreseen an annual growth rate of 8 per cent. The shortfall in 1993 and its multiplier effect on the following years has forced UNDP's management to restrict commitments and expenditures to 70 per cent of the initial indicative planning figures (IPFs). It is unfortunate that the most adversely affected by cuts in IPFs are the poorest countries, with a gross national product (GNP) per capita of $750 or less, which receive 87 per cent of resources assigned to national IPFs.

5. This pattern of shortfalls against projections is not new. As figure I demonstrates, the value of voluntary contributions pledged to UNDP has not increased in real terms over the past 20 years; a slight increase in the latter part of the 1970s could not be sustained. Most of the annual growth assumptions

adopted by the UNDP Governing Council, such as 8 per cent for the current, fifth cycle, have never materialized. During the third cycle, for example, IPFs had to be cut by 45 per cent. Only during the fourth cycle, when UNDP's income in United States dollar terms exceeded projections as a result of a rapid decline in the value of the dollar, was the IPF increased, by 15 per cent. These discrepancies between projections and delivery are disturbing in so far as the adoption of growth assumptions can be seen as an implied expression of the intention of Member States with regard to financing; that this linkage between planning and pledging has not materialized shows the inherent weakness of any system of voluntary, non-binding multi-year pledges.

6. In 1981, the UNDP Governing Council, in its decision 81/37 of 27 June 1981, requested the Administrator to review new and specific ways and means of mobilizing increased resources on an increasingly predictable, continuous and assured basis. The Administrator was specifically asked to examine the replenishment method. The Administrator, in documents DP/1982/15 and DP/1982/35, presented a broad range of options, and an inter-sessional committee of the whole then examined those options. Its recommendations, set out in document DP/1983/5, can be summarized as follows:

(a) Countries should at least try to maintain the real value of their contributions from year to year, and make their intentions clear;

(b) After informal intergovernmental consultations, those countries able to do so would make firm pledges for the pledging year and indicative statements for the following two years, expressed in SDRs if they so chose;

(c) After informal intergovernmental consultations, the Governing Council would take a decision on the overall target for resources and the implicit rate of growth contained in that target.

7. The committee of the whole further recommended that the possibility be examined of introducing a three-year rolling system of pledges and programme implementation. These recommendations were subsequently adopted by the Governing Council through its resolution 83/5 of 24 June 1983. Given their tentative and non-binding nature, their impact was minimal; only a handful of countries actually made tentative long-term pledges in the subsequent years, usually stating that their contribution would not be decreased in the following two years. Had this become common practice, however, it would certainly have established a more stable footing for the operations of UNDP.

## B. Non-core resources

8. In 1989, the General Assembly, in its resolution 44/211 of 22 December 1989, addressed the importance of growth in UNDP resources. It stressed the value of the concept of central funding of technical cooperation through UNDP, and it urged all Governments to channel the maximum possible share of resources available for multilateral technical cooperation through the Programme. Furthermore, the Assembly emphasized that non-core resources can contribute positively to overall funding provided that they are designed as a means to ensure additional resource flows and that their projects are coherently

and effectively integrated in the technical cooperation programmes of the United Nations system.

9. In 1989, the UNDP Governing Council, in its decision 89/20 of 5 June 1989, once again requested the Administrator to propose elements for a funding strategy and, in the following year, after having reviewed a detailed report on the matter submitted by the Administrator (DP/1990/20), it addressed the need to achieve an appropriate balance between core and non-core resources. In its decision 90/14 of 22 June 1990, the Governing Council, inter alia:

(a) Stressed the importance attached to funding through core resources, while recognizing the value of non-core resources, provided they ensured additional resource flows;

(b) Recognized the need for UNDP to develop public awareness of its programmes;

(c) Encouraged the Administrator to seek additional non-core funds, within the framework of the country programme, through increased cost sharing and Government counterpart contributions.

10. Non-core contributions have taken on an increased importance for UNDP over the years. There are three main sources of non-core funding:

(a) Third-party cost sharing (bilateral programmes);

(b) Government cost sharing (programme countries);

(c) Trust funds (donor Governments).

11. Non-core contributions were first made in 1973 and went up from a modest level of $1 million in 1973 to $85 million in 1982. They started to rise sharply in the late 1980s, reaching $181 million in 1989 and $466 million in 1993. Out of the total of $466 million, $385 million accounted for cost-sharing contributions and $81 million for trust funds established by the Administrator under Governing Council authority.

12. Cost-sharing contributions have emanated mostly from two major sources, that is, third-party sources (contributions by donor Governments to bilateral programmes) and programme countries, which have always made a substantive contribution to the cost of UNDP projects implemented on their own soil. In addition to counterpart contributions in cash and in kind, they have increasingly contributed towards the international costs of the projects/programmes through cost-sharing contributions, which went up from the modest level of $41 million in 1976 to $285 million in 1993, when third-party cost-sharing contributions accounted for $100 million. This means that 74 per cent of all cost-sharing contributions ($385 million) were made by the programme countries themselves. It also demonstrates that programme countries are increasingly willing to finance UNDP activities from their own resources, as donor resources remain stagnant.

13. The value of trust funds went up from $4 million in 1980 to $33 million in 1991; in 1992, there was a large increase boosted by $64 million of GEF funds which were entrusted to UNDP, bringing the total to $132 million. In 1993, $81 million was contributed to UNDP trust funds.

14. In reviewing the impact of non-core resources on the work of UNDP, it becomes apparent that the developing countries, by sharing the cost of the programmes and projects in which they participate, are making a sizeable contribution to the overall output of UNDP. Moreover, they provide resources that usually are not available internationally, and are therefore essential for the success of the development activities that these Member States themselves have initiated. This demonstrates the value they attach to such activities, which should, in turn, provide an additional argument to the constituencies in donor countries that their own support for development is clearly reciprocated by the programme countries.

15. It should be noted that, over the years, the ratio of core and non-core resources available to UNDP has shifted dramatically. Whereas in 1975 non-core resources amounted to no more than 3.4 per cent of the total income of UNDP, this had grown to 14.2 per cent in 1985; for the year 1993, the percentage of non-core resources in the total income of UNDP was nearly 33 per cent. This means that the questions raised by the Governing Council of UNDP concerning the proper ratio between core and non-core, or between general and dedicated resources, remain valid. It would seem that there is a growing preference among donors to allocate resources to areas, thematic or geographic, which they themselves have chosen. These funds are then allocated to activities executed within the context of either a country or intercountry programme, thus supporting the development priorities of the recipient Governments.

16. So far as programme disbursements are concerned, UNDP expended $1,031 million in 1993 on multisectoral field programme activities from UNDP core resources (which consist of IPF funds, special programme resources, funds for special industrial services and the Special Measures Fund for Least Developed Countries) and cost-sharing contributions. In addition, $173.4 million was disbursed through UNDP-administered programmes.

17. UNDP's central funding role has been eroded over the years. In fact, UNDP's IPF expenditures have recently registered a substantial fall after a period of increases in nominal terms over the past two decades. From a level of $3.7 billion for the 1987-1991 cycle, aggregate expenditures are forecast to fall to only $3 billion in the current cycle (1992-1996), a decline of 19 per cent compared to the preceding level.

Table 1. Share of OECD/DAC donors in UNDP core resources as compared to United Nations assessment, 1993

| COUNTRY (Ranked By UNDP Share) | UN ASSESSMENT SHARE (Per cent) | UNDP SHARE (Per cent) | VOLUNTARY CONTRIBUTIONS/ UNDP (millions of US dollars) |
|---|---|---|---|
| 1. United States | 25.00 | 13.73 | 125.0 |
| 2. Japan | 12.45 | 10.56 | 96.1 |
| 3. Denmark | 0.65 | 9.51 | 86.5 |
| 4. Netherlands | 1.50 | 9.48 | 86.3 |
| 5. Germany | 8.93 | 8.85 | 80.6 |
| 6. Norway | 0.55 | 7.80 | 71.0 |
| 7. Sweden | 1.11 | 7.76 | 70.7 |
| 8. France | 6.00 | 5.49 | 50.0 |
| 9. United Kingdom | 5.02 | 4.93 | 44.9 |
| 10. Canada | 3.11 | 4.55 | 41.4 |
| 11. Switzerland | 1.16 | 4.28 | 38.9 |
| 12. Italy | 4.29 | 2.74 | 24.9 |
| 13. Belgium | 1.06 | 2.04 | 18.6 |
| 14. Austria | 0.75 | 1.47 | 13.4 |
| 15. Australia | 1.51 | 1.25 | 11.4 |
| 16. Finland | 0.57 | 1.01 | 9.2 |
| 17. Spain | 1.98 | 0.93 | 8.5 |
| 18. New Zealand | 0.24 | 0.22 | 2.0 |
| 19. Ireland | 0.18 | 0.10 | 0.9 |
| 20. Portugal | 0.20 | 0.07 | 0.6 |
| 21. Luxembourg | 0.06 | 0.03 | 0.3 |
| Subtotal DAC | 76.32 | 96.78 | 881.1 |
| Others | 23.16 | 3.22 | 29.3 |
| GRAND TOTAL | 99.48 | 100.00 | 910.4 |

Sources: United Nations ST/ADM/SER.B/414 dated 7 September 1993.
Voluntary contributions - UNDP, Division of Finance, report as of March 1994.

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**Table 2. Voluntary contributions (core and non-core) to UNDP and its administered programmes, 1972-1993**

**(Millions of United States dollars)**

| Years | UNDP | | UNDP-administered programmes a/ | | Total | | Grand total |
|---|---|---|---|---|---|---|---|
| | Core | Non-core | Core | Non-core | Core | Non-core | |
| 1972 | 268.4 | - | - | - | 268.4 | - | 268.4 |
| 1973 | 307.5 | 0.9 | 9.0 | - | 316.5 | 0.9 | 317.4 |
| 1974 | 337.4 | 9.8 | 17.3 | - | 354.6 | 9.8 | 364.5 |
| 1975 | 405.9 | 15.9 | 45.2 | - | 451.1 | 15.9 | 467.0 |
| 1976 | 466.2 | 48.5 | 31.7 | - | 497.9 | 48.5 | 546.4 |
| 1977 | 524.6 | 49.0 | 34.8 | - | 559.4 | 49.0 | 608.4 |
| 1978 | 597.2 | 45.8 | 38.4 | - | 635.7 | 45.8 | 681.5 |
| 1979 | 697.2 | 45.5 | 47.7 | - | 744.8 | 45.5 | 790.4 |
| 1980 | 716.6 | 62.4 | 58.3 | - | 774.9 | 62.4 | 837.4 |
| 1981 | 673.5 | 64.2 | 63.3 | 3.8 | 736.8 | 68.0 | 804.8 |
| 1982 | 675.9 | 77.0 | 63.1 | 8.1 | 738.9 | 85.2 | 824.1 |
| 1983 | 678.1 | 144.6 | 45.5 | 10.9 | 723.6 | 155.5 | 879.1 |
| 1984 | 680.0 | 101.3 | 36.7 | 10.7 | 716.6 | 112.0 | 828.6 |
| 1985 | 673.8 | 105.5 | 45.7 | 14.3 | 719.6 | 119.9 | 839.4 |
| 1986 | 774.9 | 124.1 | 50.4 | 14.8 | 825.4 | 138.8 | 964.2 |
| 1987 | 865.2 | 133.6 | 64.9 | 26.6 | 930.1 | 160.2 | 1 090.3 |
| 1988 | 948.7 | 144.2 | 69.7 | 36.2 | 1 018.4 | 180.4 | 1 198.7 |
| 1989 | 952.6 | 145.5 | 69.6 | 36.1 | 1 022.2 | 181.6 | 1 203.8 |
| 1990 | 1 043.4 | 197.6 | 72.1 | 31.4 | 1 115.5 | 229.1 | 1 344.5 |
| 1991 | 1 021.8 | 245.1 | 66.0 | 18.8 | 1 087.8 | 263.9 | 1 351.7 |
| 1992 | 1 073.8 | 412.0 | 56.1 | 23.0 | 1 129.9 | 435.0 | 1 564.9 |
| 1993 | 910.4 | 446.8 | 49.8 | 19.2 | 960.2 | 466.0 | 1 426.1 |

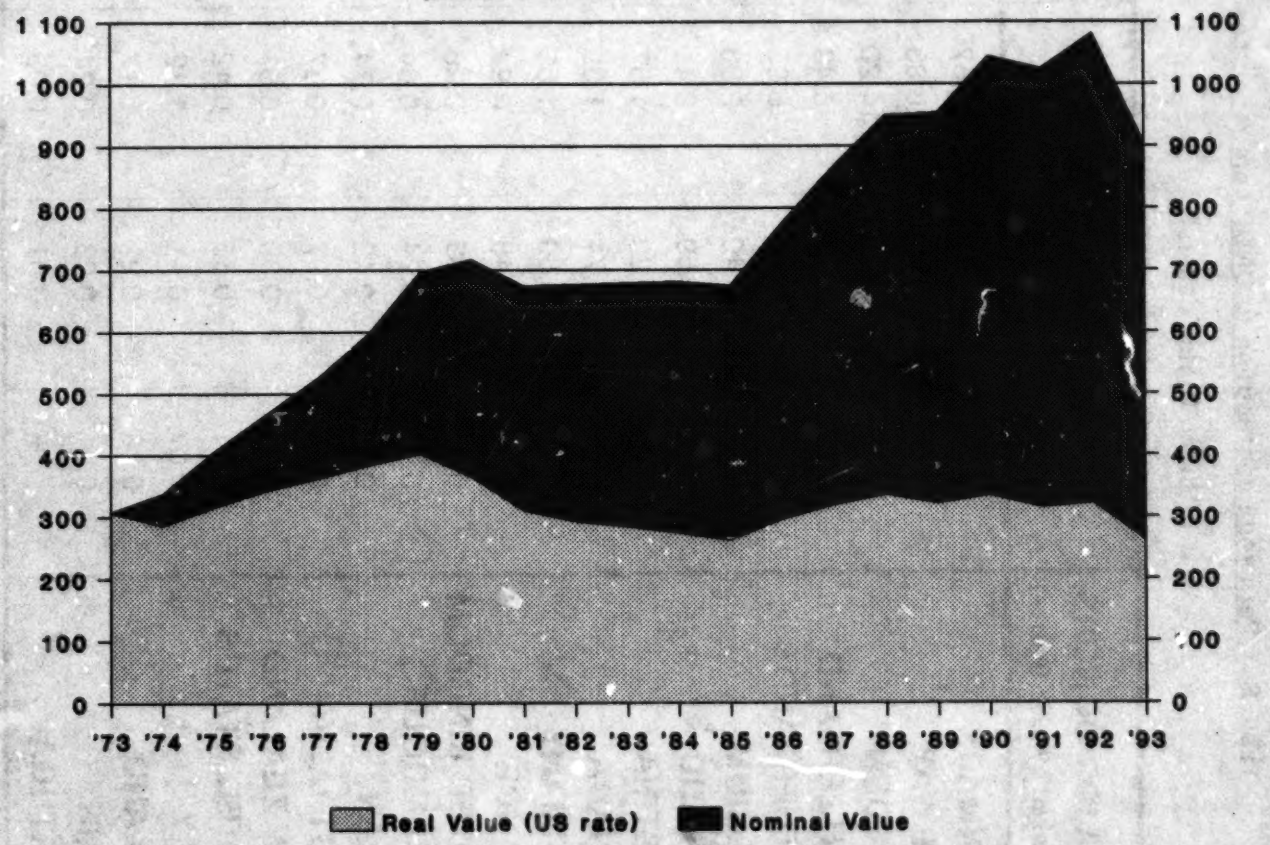
Core = Central resources.

Non-core = Earmarked funds (including cost sharing and trust funds, but excluding management services).

a/ Represents United Nations Capital Development Fund, United Nations Sudano-Sahelian Office, United Nations Development Fund for Women, United Nations Volunteers, United Nations Revolving Fund for Natural Resources Exploration, United Nations Fund for Science and Technology for Development, UNDP Energy Account and Special Measures Fund for Least Developed Countries.

**Figure II. Core contributions to UNDP in nominal and real value (1973-1993)**

**(Millions of United States dollars)**




Contributions adjusted for inflation using the US consumer price index for the respective years.
Source : IMF Statistical Yearbook.



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Table 3. Per capita contribution to UNDP core resources

(United States dollars)

| MAJOR DONORS (ranked by 1993 figures) | 1972 | 1982 | 1992 | 1993 |
|---|---|---|---|---|
| 1. DENMARK | 4.31 | 7.66 | 17.37 | 16.74 |
| 2. NORWAY | 2.00 | 13.39 | 20.83 | 16.48 |
| 3. SWEDEN | 3.20 | 6.39 | 14.20 | 8.13 |
| 4. SWITZERLAND | 0.67 | 2.77 | 6.43 | 5.67 |
| 5. NETHERLANDS | 1.03 | 4.31 | 5.95 | 5.65 |
| 6. BELGIUM | 0.41 | 1.40 | 2.06 | 1.86 |
| 7. FINLAND | 0.75 | 1.59 | 8.41 | 1.82 |
| 8. AUSTRIA | 0.24 | 0.80 | 1.57 | 1.72 |
| 9. CANADA | 0.82 | 1.71 | 1.89 | 1.49 |
| 10. GERMANY | 0.19 | 0.60 | 1.05 | 1.00 |
| 11. FRANCE | 0.11 | 0.48 | 0.94 | 0.87 |
| 12. UNITED KINGDOM | 0.36 | 0.58 | 0.96 | 0.78 |
| 13. LUXEMBOURG | 0.13 | 0.24 | 0.64 | 0.78 |
| 14. JAPAN | 0.07 | 0.43 | 0.74 | 0.77 |
| 15. AUSTRALIA | 0.15 | 0.97 | 0.67 | 0.62 |
| 16. NEW ZEALAND | 0.24 | 0.39 | 0.51 | 0.57 |
| 17. UNITED STATES | 0.41 | 0.55 | 0.42 | 0.48 |
| 18. ITALY | 0.07 | 0.41 | 1.12 | 0.43 |
| 19. IRELAND | 0.09 | 0.27 | 0.17 | 0.27 |
| 20. SPAIN | 0.01 | 0.03 | 0.24 | 0.22 |
| 21. PORTUGAL | – | 0.01 | 0.06 | 0.06 |

Source: Population Division/Department for Economic and Social Information and Policy Analysis of the United Nations Secretariat, World Population Prospects, 1992 revision (United Nations publication, Sales No. 93.XIII.7) and supplementary tabulations.

**Table 4. Contributions to UNDP core resources by recipient countries contributing $1 million or more in 1994**

(Millions United States dollars)

| Recipients (Ranked in 1994) | 1973 | 1977 | 1982 | 1986 | 1990 | 1991 | 1992 | 1993 | 1994 |
|---|---|---|---|---|---|---|---|---|---|
| 1. India | 3.8 | 6.3 | 7.7 | 6.9 | 4.4 | 3.1 | 3.9 | 4.1 | 4.2 |
| 2. China | 2.0 | – | 1.5 | 1.9 | 2.8 | 2.8 | 2.9 | 2.9 | 2.9 |
| 3. Saudi Arabia | 0.4 | 2.7 | 2.5 | 3.5 | 2.0 | 3.5 | 2.0 | 2.0 | 2.0 |
| 4. Cuba | 0.1 | 0.5 | 0.7 | 0.8 | 1.5 | 1.8 | 1.8 | 1.8 | 1.8 |
| 5. Republic of Korea | 0.2 | 0.7 | 0.9 | 0.9 | 1.0 | 1.0 | 1.1 | 1.1 | 1.8 |
| 6. Indonesia | 0.1 | 1.6 | 2.7 | 2.8 | 1.1 | 1.1 | 1.2 | 1.2 | 1.2 |
| 7. Libyan Arab Jamahiriya | 0.3 | 1.1 | – | – | – | – | – | 1.2 | 1.1a/ |
| 8. Thailand | 0.4 | 0.8 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.1 | 1.1a/ |
| 9. Mexico | 0.8 | 1.3 | 1.0 | 0.9 | 0.9 | 1.1 | 1.0 | 1.0 | 1.0a/ |
| 10. Sri Lanka | 0.2 | 0.4 | 0.9 | 0.9 | 1.0 | 1.0 | 1.0 | 1.8 | 1.0a/ |

a/ Estimated.

## II. UNITED NATIONS CHILDREN'S FUND

### A. Resource mobilization and funding mechanisms

18. The World Summit for Children and the resultant national programmes of action, together with the coming into force of the Convention on the Rights of the Child, have fundamentally altered the resource mobilization challenge for UNICEF. Consequently, resource mobilization, as distinct from fund-raising for UNICEF, aims to ensure that the necessary resources, through a broad range of channels, are available to support implementation of the goals and objectives for children. This mobilization strategy is linked to the "20/20" concept, which seeks to increase government and external funding for basic social services.

19. Furthermore, UNICEF not only seeks government and private sector support for programmes of cooperation but also tries to stimulate public awareness of children's needs and the means to meet them by advocacy with Governments, civic leaders, educators and other professional and cultural groups, the media and local communities.

20. Since the early 1980s, UNICEF has increasingly programmed its resources mobilization around clear and universally accepted targets and goals. This strategy proved useful in the build-up to and the mobilization for the attainment of universal child immunization between 1983 and 1990. UNICEF is distinctive in that, in the pursuit of its mandate, it depends on voluntary financing from a broad base of contributors.

21. While most of the funding is contributed by Governments, UNICEF is not a membership organization with an assessed budget. Nevertheless, almost all Governments in industrialized and developing countries make annual contributions, which together account for some two thirds of UNICEF's income. All contributions to UNICEF, whether from Governments or otherwise, are strictly voluntary. This applies to all three types of UNICEF funding, namely, general resources, regular supplementary funding or emergency supplementary funding.

22. One unique aspect of UNICEF funding is public and private sector fund-raising, undertaken in the main by UNICEF National Committees, but also directly by UNICEF in association with some non-governmental organizations (NGOs). While virtually all the resources of other organizations come from Governments, nearly one third of the contributions received by UNICEF come from private sector contributions. The impact of UNICEF National Committee advocacy on contributions by Governments to UNICEF is very important, and this is clearly in addition to their financial contributions to UNICEF made possible through the sale of greeting cards and other fund-raising efforts.

23. The major emphasis in UNICEF fund-raising continues to be on increasing contributions to general resources. However, given the voluntary nature of the financial base of UNICEF, the Executive Director bears the responsibility to undertake a variety of fund-raising efforts and to offer mechanisms for cooperation that are appropriate to the funding procedures and criteria of donor development assistance in order to increase resources raised for children. This has been the rationale for the development of the supplementary-funding system.

24. General resources are preferred to supplementary funding by UNICEF because they permit both long-term planning and a greater flexibility in the reallocation of resources between programme components to conform to the varying rates of their implementation (subject to the agreement of the Government). Therefore, general resources allow a more rational use of limited resources. With supplementary funding, rapid and adaptive reallocation can be hampered or delayed by the necessary re-negotiation process that must be undertaken with the donor.

25. Nevertheless, supplementary resources, whether regular or emergency, complement general resources. Supplementary funding enhances UNICEF's capacity to expand and strengthen programme cooperation within existing policies and procedures. It can also accommodate special funding priorities by individual donors. Furthermore, these additional resources are derived from budget sources that would not normally fund general resources. The additionality that comes with supplementary funds is therefore "new money" that would not otherwise be available to UNICEF.

26. It should be emphasized that supplementary resources are programmed with the Government, and reviewed by the Executive Board, as an integral part of the country programming process. These funds therefore serve as an extension of the general resources, expanding and deepening the core programme directions. These funds are therefore quite different than trust funds.

### 1. General resources

27. General resources funding, whether received from developed or developing countries, is the priority and core of fund-raising of UNICEF and accounted for nearly 60 per cent of total income in 1993. Funds are used according to need as outlined in the UNICEF medium-term plan approved by the Executive Board. Part of the general resources funds the administrative budget of the organization. The balance is made available to programmes in recipient countries. The annual general resources planning level per country is established by the UNICEF secretariat and approved by the UNICEF Executive Board.

28. This type of funding allows for greater flexibility than with any other type of funding. For this reason, whenever and wherever UNICEF has the option to take funds either for general resources or for supplementary funds for a specific country programme, applying the funds to general resources will take precedence. Both UNICEF field offices and UNICEF National Committees are urged to take continuously all steps to ensure greater general resources funding versus any other type.

### 2. Regular supplementary funding

29. It is important to recognize that for UNICEF supplementary funded programmes, components are normally prepared as an integral part of the UNICEF country programme of cooperation. Country programmes are usually prepared every four to five years, taking into account the Government's development plan cycle. The Government and UNICEF initiate a process of programme formulation, which

culminates in the submission of a country programme recommendation to the UNICEF Executive Board for approval. The process involves joint action with government ministries and, where relevant, by other partners such as United Nations organizations, bilateral donors and NGOs.

30. Regular supplementary funding is received from donor countries, from UNICEF National Committees, and from intergovernmental, multilateral, or non-governmental organizations and is, for the most part, specifically earmarked for a recipient country programme or component thereof. Field offices going to the UNICEF Executive Board for approval of a new country programme are authorized by UNICEF headquarters to include in their country programme proposals, as an integral part, a programme package extension of sectoral programme components that are funded in their general resources allocations but that require additional funding for which UNICEF will seek to raise specific-purpose contributions, as regular supplementary funds, from donors.

31. Throughout the programme preparation process, other United Nations organizations and, often, bilateral agencies and NGOs are consulted to ensure linkages and complementarity in programmes. Representatives of the United Nations system usually participate in review meetings as well.

### 3. "Stand-alone" supplementary-funded programmes

32. While most programmes for supplementary funding are developed and presented to the Executive Board as part of a multi-year country programme as described above, on occasion, UNICEF offices also formulate "projects" for supplementary funding in between country-programme submissions. These are commonly referred to as "stand-alone" requests for supplementary funding.

33. UNICEF offices are encouraged to prepare and submit all programmes for supplementary funding as integral parts of the country programme recommendation. However, during the five-year gap between one submission and another, there are instances that justify additional proposals for supplementary funding. These may be made in response to urgent needs resulting from changing socio-economic or political circumstances, radically changing environmental factors, or newly emerging opportunities to meet priority goals of the Government and/or UNICEF.

### 4. Multi-country programmes

34. In addition to programmes for supplementary funding prepared as part of the country programme or additional "stand-alone" projects, multi-country, regional or global programmes for supplementary funding aimed at meeting priority objectives established by the Executive Board are also prepared and submitted to the Executive Board.

35. Such multi-country, regional or global programmes are developed in two ways. In some instances, country-specific programme proposals formulated either as part of a country programme or as a "stand-alone" request, but relating to the same area of priority attention, are integrated into a multi-country sectoral programme, and contributions received are then allocated to those

specific countries. An example of this is the joint United Nations Educational, Scientific and Cultural Organization (UNESCO)/UNICEF programme for universal primary education and literacy.

36. In other instances, a broad framework and strategy for interventions in new priority areas are developed as regional or global programmes and are submitted to the Executive Board for approval. Contributions are then received for the programme and allocated to country-specific activities on the basis of reviews by UNICEF headquarters and regional offices on a case-by-case basis. A small portion of the approved funds may be earmarked for personnel and related expenses to coordinate and manage such activities.

### 5. Emergency supplementary funding

37. Emergency supplementary funding refers to funding received from a donor or donors following an emergency situation appeal. Such emergency situations fall under two main categories:

(a) Rapid-onset emergencies such as earthquakes, floods, outbreak of wars and the like;

(b) Structural or complex emergencies that follow a drought or incremental escalating civil strife and the like.

38. In some cases, mostly rapid-onset emergencies, the country office is the trigger for initiation of action. In these cases, the UNICEF Executive Director responds directly to the emergency by raising the alarm and, where appropriate, issuing an appeal for emergency assistance. Smaller emergencies may be funded from the Executive Director's Emergency Reserve Fund, which is replenished from general resources. All emergency appeals are prepared as part of the overall integrated United Nations appeal, which is developed under the leadership of the Department of Humanitarian Affairs of the Secretariat. The Executive Director may also decide to accept additional, unsolicited contributions to be used in an emergency situation. In the case of country specific emergencies, contributions are accepted without requiring prior Board approval. Furthermore, where warranted and with the agreement of the Government concerned, UNICEF also reallocates funds to emergencies from general resources that have already been approved by the Executive Board for the country programme.

39. In most structural or complex emergencies the trigger is a formal emergency appeal issued by the Secretary-General under the coordination of the Under-Secretary-General for Humanitarian Affairs. In cases of major natural disasters and of economic emergencies affecting children, as well as in areas of warfare or civil strife, the Executive Director, in consultation with the Department of Humanitarian Affairs and the Secretary-General, may appeal for specific-purpose contributions of supplementary funds between Board sessions without a mail poll and may put the funds to use as soon as they are received (E/ICEF/L.1343, para. 44). The same principle applies to funds received by UNICEF from emergency appeals made by the Secretary-General.

### 6. Innovative approaches

40. The bulk of UNICEF funds are in the form of hard currency contributions provided by donors. Given the continuous need for additional funds, UNICEF is constantly looking for additional sources. Two mechanisms are of particular importance in this regard:

(a) Local private sector fund-raising in developing countries;

(b) Debt relief for children.

### 7. Role of the Greeting Card Operation

41. The primary objectives of the Greeting Card Operation are to increase public awareness of UNICEF and to provide an opportunity for volunteers and the public to become involved with the Operation and in the work of UNICEF and raise additional funds for UNICEF general resources. The mandate of the Operation covers two income-generating areas, which aim to maximize income for UNICEF general resources from the public at large; greeting cards and related products, and private sector fund-raising, including special fund-raising events. In fulfilling its mandate, the Operation cooperates with the National Committees for UNICEF, and, where these do not exist, it works with other NGOs.

## B. Resource flows

42. As shown in table 6, the resource flow to UNICEF steadily increased until 1992, when it reached a level of $937 million, or $938 million in total income. $394 million of this amount came from supplementary funding. In 1993, UNICEF, like other voluntarily funded United Nations programmes, faced a reversal; its total contributions amounted to $843 million, of which $369 million came from supplementary sources, nearly $94 million less than the year before.

Table 5. Contributions to UNICEF from main donor countries by source, 1993

(Millions of United States dollars)

| Donor Country | Governments | National Committees | Other NGOs | Country total |
|---|---|---|---|---|
| AUSTRALIA | 9.3 | 4.0 | ... | 13.3 |
| AUSTRIA | 1.8 | 2.7 | - | 4.4 |
| BELGIUM | 3.9 | 9.5 | - | 13.4 |
| BRAZIL a/ | - | - | 5.1 | 5.1 |
| CANADA | 37.2 | 12.9 | 2.6 | 52.8 |
| CHILE | 1.1 | - | 0.1 | 1.2 |
| DENMARK | 33.3 | 2.2 | - | 35.5 |
| FINLAND | 7.5 | 3.0 | - | 10.5 |
| FRANCE | 10.3 | 34.3 | - | 44.6 |
| GERMANY | 13.2 | 51.8 | 0.2 | 65.1 |
| GREECE | 0.2 | 3.6 | - | 3.8 |
| GUATEMALA a/ | 0.9 | - | 0.1 | 1.0 |
| HONG KONG | ... | 1.4 | ... | 1.4 |
| INDIA a/ | 0.9 | - | 0.9 | 1.8 |
| IRAQ a/ | 3.1 | - | 0.7 | 3.8 |
| IRELAND | 1.3 | 0.3 | ... | 1.6 |
| ITALY | 33.1 | 25.3 | - | 58.5 |
| JAPAN | 29.0 | 24.6 | 3.4 | 57.0 |
| LUXEMBOURG | 0.2 | 0.9 | ... | 1.2 |
| MEXICO a/ | 0.3 | | 0.8 | 1.1 |
| NETHERLANDS | 31.4 | 36.9 | 1.2 | 69.5 |
| NEW ZEALAND | 0.6 | 0.4 | - | 1.1 |
| NORWAY | 44.5 | 1.8 | - | 46.3 |
| PORTUGAL | ... | 1.6 | ... | 1.7 |
| REPUBLIC OF KOREA | 0.9 | - | 1.7 | 2.6 |
| SPAIN | 2.1 | 16.8 | ... | 18.9 |
| SWEDEN | 97.9 | 2.7 | - | 100.7 |
| SWITZERLAND | 15.3 | 15.7 | 0.7 | 31.6 |
| TURKEY | 0.1 | 1.3 | - | 1.4 |
| UNITED KINGDOM | 16.4 | 11.9 | ... | 28.4 |
| UNITED STATES OF AMERICA | 122.1 | 18.6 | 0.1 | 153.8 |
| Other countries | 4.7 | 0.9 | 9.2 | 14.8 |
| Rotary International | - | - | 13.0 | 13.0 |
| Total | 522.8 | 285.2 b/ | 39.7 b/ | 860.6 |

Note: Three dots (...) indicate an amount less than 0.5.

a/ Contribution to be used in the contributing country.

b/ Includes proceeds from Greeting Card Operations, before deduction of related costs and fiscal period adjustments ($70 million).

Table 6. Ranking of main donors to UNICEF in each category: National Committees, non-governmental organizations, Governments and in total, 1993 a/

(Millions of United States dollars)

| | National Committees a/ | | Percentage of total |
|---|---|---|---|
| 1 | GERMANY | 51.8 | 18.2 |
| 2 | NETHERLANDS | 36.9 | 12.9 |
| 3 | FRANCE | 34.3 | 12.0 |
| 4 | ITALY | 25.3 | 8.9 |
| 5 | JAPAN | 24.6 | 8.6 |
| 6 | USA | 18.6 | 6.5 |
| 7 | SPAIN | 16.8 | 5.9 |
| 8 | SWITZERLAND | 15.7 | 5.5 |
| 9 | CANADA | 12.9 | 4.5 |
| 10 | UNITED KINGDOM | 11.9 | 4.2 |
| 11 | BELGIUM | 9.5 | 3.3 |
| 12 | AUSTRALIA | 4.0 | 1.4 |
| 13 | GREECE | 3.6 | 1.2 |
| 14 | FINLAND | 3.0 | 1.0 |
| 15 | SWEDEN | 2.7 | 1.0 |
| 16 | AUSTRIA | 2.7 | 0.9 |
| 17 | DENMARK | 2.2 | 0.8 |
| 18 | NORWAY | 1.8 | 0.6 |
| 19 | PORTUGAL | 1.6 | 0.6 |
| 20 | HONG KONG | 1.4 | 0.5 |
| 21 | TURKEY | 1.3 | 0.4 |

| | Non-Governmental Organizations a/ | | Percentage of total |
|---|---|---|---|
| 1 | Rotary International | 13.0 | 32.7 |
| 2 | BRAZIL | 5.1 | 12.8 |
| 3 | JAPAN | 3.4 | 8.6 |
| 4 | CANADA | 2.6 | 6.6 |
| 5 | REPUBLIC OF KOREA | 1.7 | 4.3 |
| 6 | NETHERLANDS | 1.2 | 3.0 |

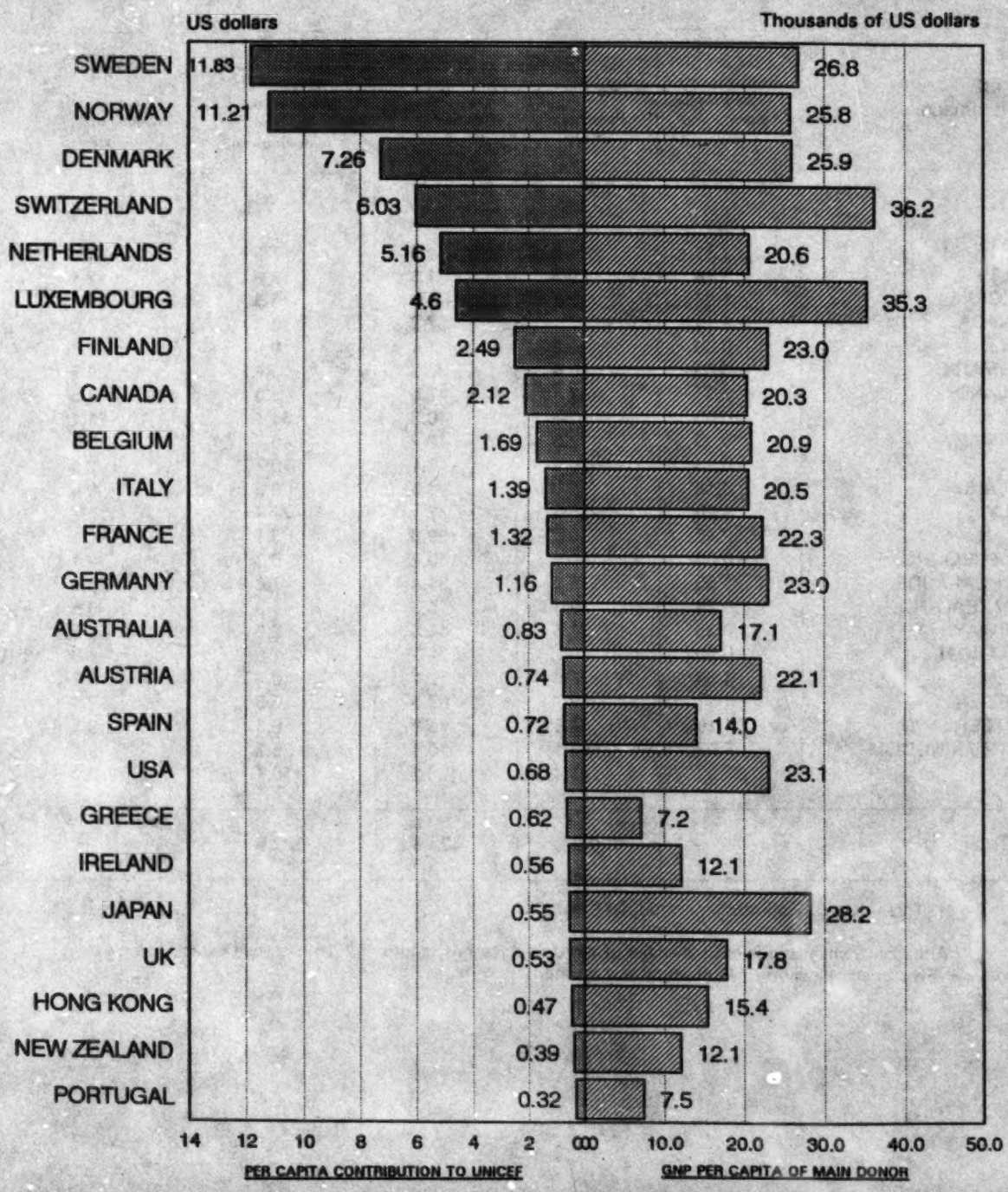
| | Governments | | Percentage of total |
|---|---|---|---|
| 1 | USA | 122.1 | 23.4 |
| 2 | SWEDEN | 97.9 | 18.7 |
| 3 | NORWAY | 44.5 | 8.5 |
| 4 | CANADA | 37.2 | 7.1 |
| 5 | DENMARK | 33.3 | 6.4 |
| 6 | ITALY | 33.1 | 6.3 |
| 7 | NETHERLANDS | 31.4 | 6.0 |
| 8 | JAPAN | 29.0 | 5.5 |
| 9 | UNITED KINGDOM | 16.4 | 3.1 |
| 10 | SWITZERLAND | 15.3 | 2.9 |
| 11 | GERMANY | 13.2 | 2.5 |
| 12 | FRANCE | 10.3 | 2.0 |
| 13 | AUSTRALIA | 9.3 | 1.8 |
| 14 | FINLAND | 7.5 | 1.4 |
| 15 | BELGIUM | 3.9 | 0.7 |
| 16 | IRAQ ** | 3.1 | 0.6 |
| 17 | SPAIN | 2.1 | 0.4 |
| 18 | AUSTRIA | 1.8 | 0.3 |
| 19 | IRELAND | 1.3 | 0.3 |
| 20 | CHILE | 1.1 | 0.2 |

| | Total a/ | | Percentage of total |
|---|---|---|---|
| 1 | USA | 140.8 | 16.6 |
| 2 | SWEDEN | 100.7 | 11.9 |
| 3 | NETHERLANDS | 69.5 | 8.2 |
| 4 | GERMANY | 65.1 | 7.7 |
| 5 | ITALY | 58.5 | 6.9 |
| 6 | JAPAN | 57.0 | 6.7 |
| 7 | CANADA | 52.8 | 6.2 |
| 8 | NORWAY | 46.3 | 5.5 |
| 9 | FRANCE | 44.6 | 5.3 |
| 10 | DENMARK | 35.5 | 4.2 |
| 11 | SWITZERLAND | 31.6 | 3.7 |
| 12 | UNITED KINGDOM | 28.4 | 3.3 |
| 13 | SPAIN | 18.9 | 2.2 |
| 14 | BELGIUM | 13.4 | 1.6 |
| 15 | AUSTRALIA | 13.3 | 1.6 |
| 16 | Rotary International | 13.0 | 1.5 |
| 17 | FINLAND | 10.5 | 1.2 |
| 18 | BRAZIL b/ | 5.1 | 0.6 |
| 19 | AUSTRIA | 4.4 | 0.5 |
| 20 | IRAQ b/ | 3.8 | 0.5 |
| 21 | GREECE | 3.8 | 0.4 |
| 22 | REPUBLIC OF KOREA | 2.6 | 0.3 |
| 23 | INDIA b/ | 1.8 | 0.2 |
| 24 | PORTUGAL | 1.7 | 0.2 |
| 25 | IRELAND | 1.6 | 0.2 |
| 26 | HONG KONG | 1.4 | 0.2 |
| 27 | TURKEY | 1.4 | 0.2 |
| 28 | CHILE | 1.2 | 0.1 |
| 29 | LUXEMBOURG | 1.2 | 0.1 |
| 30 | MEXICO b/ | 1.1 | 0.1 |
| 31 | NEW ZEALAND | 1.1 | 0.1 |
| 32 | GUATEMALA b/ | 1.0 | 0.1 |

a/ General resources and supplementary funds. Total and National Committees/NGOs include proceeds from Greeting Card Operations prior to deduction of relevant costs.

b/ Contribution to be used in contributing country.

**Figure III.** Per capita total contributions to UNICEF versus GNP per capita of main donors




/...

Table 7. Contribution to UNICEF total income by DAC member Governments and other main donor Governments if United Nations assessed rates are applied compared to actual contributions, 1993

| Donor Governments | Assessed rate to United Nations Percentage of total | Contribution to UNICEF | | Assessed rate applied to Government contributions | Balance |
|---|---|---|---|---|---|
| | | Percentage of total | Millions of US dollars | | Millions of US dollars |
| | | | A | B | (A-B) |
| AUSTRALIA | 1.51 | 1.8 | 9.3 | 7.9 | 1.4 |
| AUSTRIA | 0.75 | 0.3 | 1.8 | 3.9 | -2.1 |
| BELGIUM | 1.06 | 0.7 | 3.9 | 5.5 | -1.6 |
| CANADA | 3.11 | 7.1 | 37.2 | 16.3 | 21.0 |
| CHILE | 0.08 | 0.2 | 1.1 | 0.0 | 1.1 |
| DENMARK | 0.65 | 6.4 | 33.3 | 3.4 | 29.9 |
| FINLAND | 0.57 | 1.4 | 7.5 | 3.0 | 4.5 |
| FRANCE | 6.00 | 2.0 | 10.3 | 31.4 | -21.1 |
| GERMANY | 8.93 | 2.5 | 13.2 | 46.7 | -33.5 |
| IRAQ | 0.13 | 0.6 | 3.1 | 0.7 | 2.5 |
| IRELAND | 0.18 | 0.3 | 1.3 | 0.9 | 0.4 |
| ITALY | 4.29 | 6.3 | 33.1 | 22.4 | 10.7 |
| JAPAN | 12.45 | 5.5 | 29.0 | 65.1 | -36.1 |
| LUXEMBOURG | 0.06 | ... | 0.2 | 0.3 | -0.1 |
| NETHERLANDS | 1.50 | 6.0 | 31.4 | 7.8 | 23.6 |
| NEW ZEALAND | 0.24 | 0.1 | 0.6 | 1.3 | -0.6 |
| NORWAY | 0.55 | 8.5 | 44.5 | 2.9 | 41.6 |
| PORTUGAL | 0.20 | ... | ... | 1.0 | -1.0 |
| SPAIN | 1.98 | 0.4 | 2.1 | 10.4 | -8.2 |
| SWEDEN | 1.11 | 18.7 | 97.9 | 5.8 | 92.1 |
| SWITZERLAND | 1.16 a/ | 2.9 | 15.3 | 6.1 | 9.2 |
| UNITED KINGDOM | 5.02 | 3.1 | 16.4 | 26.2 | -9.8 |
| USA | 25.00 | 23.4 | 122.1 | 130.7 | -8.6 |
| Total | | 100.0 | 522.8 | 522.8 | — |

Note: Three dots (...) indicate an amount less than 0.5.

a/ Although Switzerland is not a member of the United Nations, a rate of 1.16 has been established. As an observer Switzerland pays only 1/3 of the assessed rate.

Table 8. Summary of UNICEF income for the last 20 years

(Millions of United States dollars)

| INCOME YEAR | GOVERNMENTS a/ | | | NONGOVERNMENTAL ORGANIZATIONS b/ | | | | UNITED NATIONS c/ | TOTAL CONTRIBUTIONS | OTHER INCOME | GRAND TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | General Resources | Supplementary Funds | Total | General Resources | Supplementary Funds | Greeting Cards | Total | | | | |
| | (1) | (2) | (3=1+2) | (4) | (5) | (6) | (7=4+5+6) | (8) | (9=3+7+8) | (10) | (11=9+10) |
| 1974 | 57.94 | 15.06 | 73.00 | 6.81 | 3.97 | 7.04 | 17.82 | 0.03 | 90.85 | 10.17 | 101.01 |
| 1975 | 68.46 | 26.43 | 94.89 | 8.40 | 4.66 | 8.76 | 22.04 | 0.02 | 116.96 | 8.37 | 125.33 |
| 1976 | 80.90 | 11.30 | 92.20 | 7.30 | 5.10 | 6.46 | 18.86 | 0.00 | 111.06 | 11.87 | 122.95 |
| 1977 | 92.05 | 12.33 | 104.38 | 6.76 | 5.82 | 10.92 | 23.50 | 0.01 | 127.88 | 17.87 | 145.75 |
| 1978 | 113.45 | 12.34 | 125.79 | 7.00 | 6.66 | 13.30 | 26.96 | 0.01 | 152.76 | 13.70 | 166.46 |
| 1979 | 133.74 | 50.95 | 184.68 | 15.46 | 18.46 | 16.32 | 50.28 | 0.23 | 235.19 | 16.88 | 252.07 |
| 1980 | 147.24 | 79.51 | 226.75 | 23.47 | 22.16 | 17.05 | 62.68 | 6.07 | 295.50 | 19.96 | 315.46 |
| 1981 | 169.53 | 52.59 | 222.12 | 19.24 | 16.73 | 18.41 | 54.37 | 3.30 | 279.79 | 23.62 | 303.41 |
| 1982 | 186.00 | 110.41 | 296.42 | 26.73 | 16.72 | 16.71 | 62.16 | 7.89 | 366.47 | 9.57 | 376.04 |
| 1983 | 184.92 | 69.59 | 254.51 | 21.60 | 19.69 | 18.13 | 59.42 | 11.42 | 325.35 | 16.55 | 341.90 |
| 1984 | 185.01 | 78.38 | 263.39 | 6.39 | 25.23 | 14.77 | 46.39 | 5.14 | 314.93 | 27.53 | 342.46 |
| 1985 | 190.57 | 85.34 | 275.91 | 19.24 | 37.34 | 10.06 | 66.64 | 3.70 | 346.25 | 27.71 | 373.96 |
| 1986 | 227.60 | 112.55 | 340.35 | 27.30 | 42.78 | 22.45 | 92.52 | 2.45 | 435.32 | 19.93 | 455.25 |
| 1987 | 266.79 | 174.68 | 441.47 | 27.26 | 47.62 | 30.41 | 105.30 | 4.43 | 551.20 | 19.84 | 571.04 |
| 1988 | 300.38 | 197.24 | 497.62 | 26.49 | 72.17 | 80.56 | 179.22 | 6.35 | 683.19 | 28.31 | 711.49 |
| 1989 | 329.46 | 166.98 | 496.44 | 20.69 | 67.76 | 49.18 | 137.63 | 10.17 | 646.23 | 20.85 | 667.08 |
| 1990 | 397.57 | 199.78 | 597.35 | 26.58 | 72.05 | 89.74 | 188.36 | 9.98 | 795.69 | 24.94 | 820.63 |
| 1991 | 396.87 | 182.20 | 579.07 | 18.27 | 114.61 | 69.64 | 202.53 | 11.36 | 792.96 | 14.24 | 807.19 |
| 1992 | 426.05 | 261.95 | 688.01 | 21.86 | 113.47 | 95.20 | 230.52 | 19.05 | 937.57 | 0.55 | 938.12 |
| 1993 | 357.90 | 180.95 | 538.85 | 25.85 | 133.97 | 95.06 | 254.88 | 49.29 | 843.03 | 22.70 | 865.72 |

a/ Includes contributions from intergovernmental agencies.

b/ Includes contributions from National Committees for UNICEF.

c/ Contributions from the United Nations and United Nations agencies. (Figures from 1974 to 1979 relate to donations from United Nations staff.)

## III. UNITED NATIONS POPULATION FUND

### A. Resource mobilization and funding mechanisms

43. Since its inception in 1969, UNFPA has been the leading source of population assistance within the United Nations system. In its resolution 2815 (XXVI) of 14 December 1971, the General Assembly invited Governments which were in a position to do so, and whose policies would allow it, to make voluntary contributions to the United Nations Fund for Population Activities. UNFPA is mandated to create world-wide awareness and understanding of the interrelationship of population growth and distribution with sustainable development and environmental protection, as well as to ensure that significant financial resources, from within developing countries and from the international community, are mobilized for the formulation and implementation of national population policies and programmes.

44. According to OECD/DAC, in 1991 donor countries committed, on average, 1.34 per cent of their ODA for population assistance. This was the highest average annual ratio attained since 1982, when such ratios were first recorded, at 1.12 per cent.

45. The United Nations share of population assistance has decreased from 40 per cent in 1982 to 32 per cent in 1992, as donor countries have increased their own bilateral programmes of population assistance. The use of NGOs as a channel for population assistance has remained almost constant at around 30 per cent.

46. It should be emphasized that developing countries themselves absorb a very high proportion of the resources required to implement national population programmes and projects, 60 to 70 per cent, with complementary funds coming from the international donor community, NGOs or users themselves. To meet the current and emerging needs, however, the proportionate share of contributions from the international community has to increase in the future.

47. UNFPA's contributions are received in the form of core (regular) and non-core (third-party cost-sharing trust fund) resources. In addition, UNFPA receives handling fees from other funding organizations for procurement of contraceptive supplies on their behalf.

#### 1. Regular resources

48. From 1969 through 1992, contributions to UNFPA increased steadily from a base of $14.3 million in 1969 to $238 million in 1992. In constant dollars, however, increases levelled off after 1980. That the nominal income has not dipped for 24 years is remarkable, showing a strong collective commitment among donors, particularly in view of the fact that the United States of America did not contribute to the Fund during the years 1986-1992. In 1993, however, UNFPA's overall income was reduced to $219.6 million. This was caused by a strong United States dollar vis-à-vis European currencies, and by reductions in contributions by some major donors; one donor cutting its contribution by 75 per cent. The unpredictability of income levels owing to the annual nature

of the pledging mechanism and to currency fluctuations has been a major constraint for long-term planning. By contrast, it should be noted that in the mid-to-late 1980s, favourable exchange rates increased UNFPA's income.

49. Contributions to the Fund are received throughout the year. A number of major donors adhere to a fixed payment schedule. UNFPA has not experienced any serious cash-flow problems. Figure III illustrates the growth of contributions, in real and nominal terms, to UNFPA.

50. In 1993, altogether 101 countries contributed to the Fund, which was an increase from 22 countries in 1970 to 50 during 1973-1979 and to 96 in 1980. There are currently 15 donors that contribute more than 95 per cent of UNFPA's total resources. In 1993, the top 5 donors contributed almost two thirds of UNFPA's total regular resources, namely, Japan (21 per cent), the Netherlands (13 per cent), Germany (12 per cent), Norway (11 per cent) and Denmark (9 per cent).

51. While UNFPA was included in 1977 among the beneficiaries of the newly established United Nations Pledging Conference for Development Activities, less than 30 per cent of UNFPA's income has been pledged, in recent years, during the annual pledging conference itself.

## 2. Non-core resources

52. UNFPA's third-party cost-sharing resources (extrabudgetary) have steadily increased from $3.7 million in 1986 to $12 million in 1992, but remain a small percentage (4-5 per cent) of total income. Contributions to third-party cost-sharing projects come mainly from 10 major donors. Experience does not indicate that donor's support to third-party cost-sharing projects is at the expense of their regular contributions to the regular resources of UNFPA.

53. Up to now, the preference of donors for third-party cost-sharing funds has been for selected types of activities. These include, in terms of thematic focus, maternal and child health and family planning, as well as population information, communication and education. In terms of geographic focus, Sub-Saharan Africa, in particular, has benefited from third-party cost-sharing funds. In general, there are no special conditions linked to third-party cost-sharing funds, except that the activities so financed should conform to UNFPA policies and procedures.

## 3. Reimbursable procurement service

54. UNFPA's Procurement Unit purchased in 1992, on behalf of other funding organizations, approximately $34 million worth of contraceptives, up from $12 million in 1991 and $7 million in 1990. This considerable increase in the volume of supplies procured has enabled the Fund to secure highly preferential prices and, in turn, to make the most cost-effective use of donors' funds. Furthermore, this procurement service has generated additional income, through handling fees, for UNFPA.

B. Planning and programming mechanisms

55. The Governing Council has approved a system of a four-year rolling work plan for UNFPA. The plan deals with resource assumptions and resource utilization during the four-year period, and is updated annually by adding a new year at the end. This rolling work-plan thus allows adjustment in income projections on a yearly basis.

56. UNFPA submits to the UNDP/UNFPA Executive Board, for its approval, all comprehensive country programme agreements, all projects and programmes in the amount of $1 million or more, and all projects which, because of their innovative aspects or policy implications, deserve the Board's consideration. Country programmes are normally approved with a combination of UNFPA regular resources, including third-party cost-sharing funds, when and to the extent such additional resources become available. Project and programme agreements are for a maximum of five years' duration, all being subject to the availability of funds.

57. UNFPA's Operational Reserve, as established in 1981 by the Governing Council, is currently set at 20 per cent of the estimated contributions for each year. The Reserve compensates and covers for downward fluctuations or shortfalls in income, for uneven cash flows, for increases in actual costs as compared to planning estimates, for fluctuations in delivery and for other contingencies that result in a loss of resources for which UNFPA has made a programme commitment.

58. The Governing Council has instructed UNFPA to expend, at a maximum, 25 per cent of its programmable resources (core resources minus administrative costs) for global, interregional and intercountry projects, and 75 per cent for country programmes. Furthermore, 80 per cent of country programme resources are to be allocated to a group of designated priority countries. 1/

Table 9. Share of major donors' contributions to UNFPA regular resources as compared to United Nations assessment, 199[illegible]

| COUNTRY (Ranked by UNFPA Share) | UN ASSESSMENT SHARE (in per cent) | UNFPA SHARE (in per cent) | VOLUNTARY CONTRIBUTIONS TO UNFPA (in US$ million) |
|---|---|---|---|
| Japan | 12.45 | 21.0 | 45.400 |
| Netherlands | 1.50 | 13.1 | 28.323 |
| Germany | 8.93 | 12.0 | 26.169 |
| Norway | 0.55 | 11.4 | 24.765 |
| Denmark | 0.65 | 9.4 | 20.297 |
| Sweden | 1.11 | 8.2 | 17.664 |
| United States | 25.00 | 6.7 | 14.500 |
| United Kingdom | 5.02 | 4.9 | 10.718 |
| Canada | 3.11 | 4.2 | 9.063 |
| Switzerland | 1.16 | 2.7 | 5.772 |
| Finland | 0.56 | 1.9 | 4.178 |
| Italy | 4.29 | 0.9 | 1.869 |
| Belgium | 1.06 | 0.7 | 1.409 |
| Australia | 1.51 | 0.6 | 1.361 |
| France | 6.00 | 0.5 | 1.223 |
| Sub-Total | 72.91 | 98.2 | 212.711 |
| Others | 27.09 | 1.8 | 3.936 |
| GRAND TOTAL | 100.0 | 100.0 | 216.647 |

/...

Table 10. UNFPA voluntary contributions (core and non-core), 1973-1993

(Millions of United States dollars)

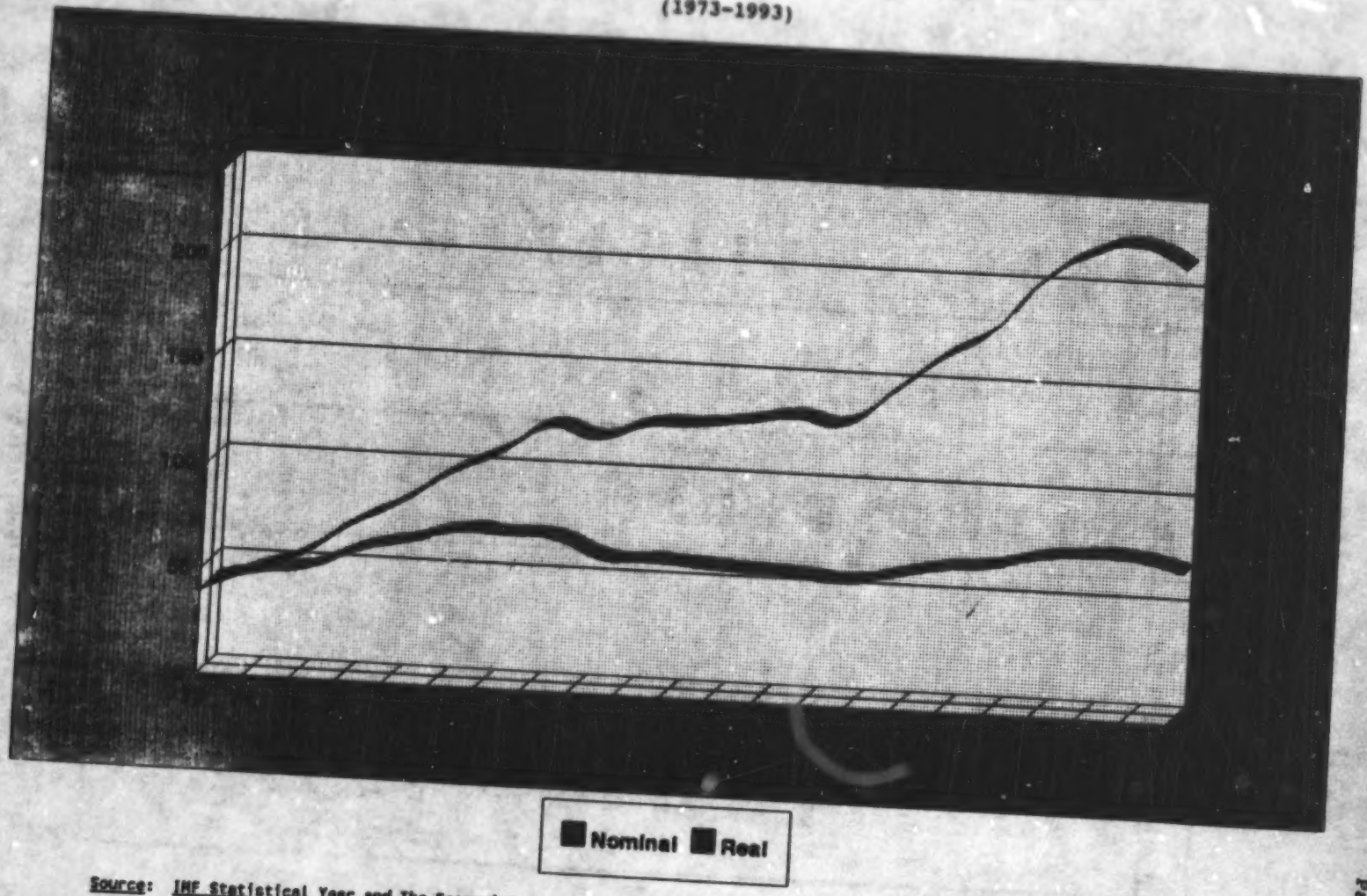
| YEAR | CONTRIBUTIONS | | |
|---|---|---|---|
| | CORE | NON-CORE | TOTAL |
| 1973 | 39.81 | 0.00 | 39.81 |
| 1974 | 49.56 | 0.00 | 49.56 |
| 1975 | 57.98 | 0.00 | 57.98 |
| 1976 | 73.52 | 0.50 | 74.02 |
| 1977 | 85.43 | 0.85 | 86.28 |
| 1978 | 100.88 | 0.00 | 100.88 |
| 1979 | 111.72 | 2.27 | 113.99 |
| 1980 | 125.38 | 3.54 | 128.92 |
| 1981 | 120.99 | 2.78 | 123.77 |
| 1982 | 128.27 | 5.37 | 133.64 |
| 1983 | 129.60 | 6.03 | 135.63 |
| 1984 | 132.43 | 4.24 | 136.67 |
| 1985 | 135.88 | 6.07 | 141.95 |
| 1986 | 133.49 | 3.74 | 137.23 |
| 1987 | 149.30 | 4.44 | 153.74 |
| 1988 | 167.33 | 11.27 | 178.60 |
| 1989 | 180.72 | 6.57 | 187.29 |
| 1990 | 205.82 | 10.52 | 216.34 |
| 1991 | 220.74 | 8.06 | 228.80 |
| 1992 | 233.80 | 41.48 | 275.28 |
| 1993 | 216.65 | 25.70 | 242.35 |
| | 2,799.30 | 143.43 | 2,942.73 |

Note: Core = Central resources.

Non-core = Extrabudgetary funds (including third-party cost-sharing and other financial arrangements).

Figure IV. Contributions to UNFPA in nominal and real value

(1973-1993)




Source: IMF Statistical Year and The Economist.

Note: Contributions are adjusted for inflation with the US Consumer Price Index (CPI).

Table 11. Per capita contribution to UNFPA core resources

(United States dollars)

| Countries (Ranked by 1993 figures) | 1972 | 1982 | 1992 | 1993 |
|---|---|---|---|---|
| 1. Japan | | 0.21 | 0.34 | 0.36 |
| 2. Netherlands | 0.17 | 0.79 | 2.04 | 1.85 |
| 3. Germany | 0.02 | 0.17 | 0.33 | 0.32 |
| 4. Norway | 0.55 | 3.46 | 6.17 | 5.75 |
| 5. Denmark | 0.10 | 0.87 | 3.69 | 3.33 |
| 6. Sweden | 0.37 | 0.86 | 3.07 | 2.03 |
| 7. United States | 0.07 | 0.15 | | 0.06 |
| 8. United Kingdom | 0.04 | 0.08 | 0.27 | 0.19 |
| 9. Canada | 0.09 | 0.32 | 0.40 | 0.33 |
| 10. Switzerland | 0.03 | 0.28 | 0.95 | 0.84 |
| 11. Finland | 0.04 | 0.19 | 3.61 | 0.83 |
| 12. Italy | | | 0.05 | 0.03 |
| 13. Belgium | | 0.06 | 0.09 | 0.14 |
| 14. Australia | | 0.10 | 0.07 | 0.06 |
| 15. France | | | 0.02 | 0.02 |
| 16. Austria | | 0.01 | 0.07 | 0.07 |
| 17. Spain | | | 0.01 | 0.01 |
| 18. New Zealand | 0.01 | 0.08 | 0.06 | 0.06 |
| 19. Luxembourg | | 0.01 | 0.17 | 0.23 |
| 20. Ireland | | | | 0.02 |
| 21. Portugal | | | | |

Source: Population Division/Department for Economic and Social Information and Policy Analysis of the United Nations Secretariat, World Population Prospects: 1992 revision (United Nations publication, Sales No. 93.XIII.7) and supplementary tabulations.

## IV. WORLD FOOD PROGRAMME

59. With its dual role of providing development and relief assistance, the resources and activities of the World Food Programme (WFP) have grown to make it the largest source of grant assistance to developing countries within the United Nations system; the largest supporter of development projects involving and benefiting poor women; the largest provider of grant assistance for environmental protection and improvement; and the largest purchaser of food and services in developing countries, making it a major supporter of South-South trade. In 1993, WFP's assistance directly benefited 47 million poor people. The Programme's total expenditures amounted to $1.6 billion.

60. WFP faces two main challenges: providing life-sustaining food; and building self-reliant families and communities. As more people become the victims of natural or man-made disasters, WFP is increasingly called on to provide fast, efficient relief assistance. However, development programmes remain the foundation of WFP's work. They are the means by which WFP helps poor people become self-reliant.

61. Based on 30 years of experience, WFP has developed a three-pronged approach to poverty alleviation and food insecurity: (a) to meet needs in emergencies, but use food aid in as developmental a way as possible, consistent with saving lives; (b) to support vulnerable groups, as pre-investment in human resources; and (c) to build assets and promote self-reliance, through labour-intensive food-for-work programmes that provide jobs and help achieve sustained development. There can be nothing more developmental than fast and efficient relief assistance that saves lives and preserves the human and social fabric.

### A. Funding mechanisms and their legislative basis

62. All resources provided to WFP are on a voluntary basis. The categories of resources handled by WFP are (a) pledges for its regular resources, which are almost exclusively used for development projects; (b) pledges for protracted refugee and displaced person operations, a subset of the Programme's regular resources; (c) contributions to the International Emergency Food Reserve (IEFR), the major international facility to respond to emergencies, which is administered by WFP; (d) contributions to the Immediate Response Account of the IEFR; (e) contributions for non-food items; and (f) non-traditional funding facilities. In addition, fees are obtained from donors for services provided by WFP for their own bilateral food-aid programmes. These resources have their own terms and conditions of use and are not interchangeable. Resources are tied and designated by donors in varying degrees, and the ratio of commodities to cash resources are not the same.

63. The procedures and arrangements governing the contributions to the regular resources of WFP are set out in its General Regulations, which were endorsed by both the General Assembly of the United Nations and the Conference of the Food and Agriculture Organization of the United Nations (FAO), in pursuance of the provisions of General Assembly resolutions 1714 (XVI) of 19 December 1961, 2095 (XX) of 20 December 1965, 3404 (XXX) of 28 November 1975 and 46/22 of 5 December 1991 and resolutions 1/61 of 24 November 1961, 4/65 of

6 December 1965, 22/75 of 26 November 1975 and 9/91 of 26 November 1991 of the FAO Conference.

64. Contributions to WFP's regular resources are pledged at conferences convened jointly by the Secretary-General of the United Nations and the Director General of FAO. Targets are proposed for each biennium by the Committee on Food Aid Policies and Programmes (CFA), approved by the Economic and Social Council and the FAO Council, and endorsed by the General Assembly and the FAO Conference. Pledges are made by countries in the form of appropriate commodities and the cash necessary to transport the commodities as well as to be used for other purposes, including the funding of the Programme Support and Administrative Budget. Cash and services components of donor pledges should amount, in the aggregate, to at least one third of the total contributions. Currently, the major part of the cash component (approximately 80 per cent) is used for transportation of commodities. Contributions may also be accepted from intergovernmental bodies, other public sources, as well as appropriate non-governmental sources, in commodities, services and cash. These regular pledges almost exclusively support development activities.

65. Countries participating in the IEFR indicate to the Programme availabilities of food, primarily grains, or of cash contributions over and above their regular pledges, which might be used for emergency purposes.

66. All food aid provided by WFP for refugees and displaced people was initially met from IEFR contributions. In 1989, CFA agreed to changes for the WFP funding and approval mechanisms for long-term refugee situations (those lasting for more than one year) so that food is provided to refugees on a more assured basis. These situations are currently funded from a subset of WFP's regular resources, contributed to separately by donors.

67. Commodity pledges may be made either in monetary terms or in terms of fixed physical quantities of specific commodities. In respect of quantity pledges, these are normally recorded at a value based on world market prices, at Food Aid Convention prices, or at the donor's invoice price, as applicable. Cash contributions are normally made in convertible currencies.

## B. Resource trends

68. Total resources made available to WFP almost doubled between 1987 and 1993. Whereas in the past most resources were for development activities, in 1993 some two thirds were for relief-assistance, part of which was designated for specific emergency operations. At the same time, the value of regular resources for development projects has declined slightly, compared to the peak levels recorded in the second half of the 1980s. This is a reflection of the budgetary constraints experienced by many donor countries, which resulted both in a reduction of some donor's pledges and in a number of smaller donors no longer being able to contribute.

69. The major part of WFP's multilateral resources is provided by a relatively small number of donors. While 65 donors contributed to the Programme's regular resources during the last completed biennium, over half of the overall

multilateral resources was provided by 2 major donors, the United States of America and the Commission of the European Union. Over 70 per cent of multilateral resources was provided by the first 5 major donors, almost 90 per cent by the first 10 donors, and 98 per cent by the first 15 donors. The remaining 50 donors jointly provided about 2 per cent of the Programme's resources.

70. Expenditures from WFP's regular resources in 1993 included $94 million in programme support and administrative costs, less than 6 per cent of total expenditures.

71. After a period of steady growth during the 1980s, resources for WFP's development programme have stagnated between $1.1 and $1.2 billion at current prices per biennium. In value terms, the commodity component of WFP's regular resources for development activities has fallen since the 1985-1986 biennium from $915 million to $772 million in current prices. The increased use of lower value commodities has enabled WFP to maintain the volume of food-aid shipments for development at about 2.6 million tons for the biennium.

72. In 1993, WFP was the principal source of food assistance for refugees and displaced people. The number assisted by WFP reached an all-time high of 27 million, representing more than 60 per cent of the total number of refugees and displaced people world wide. WFP commitments for this group of people involved 2.4 million tons of food aid.

73. The past two years have seen a major increase in the amount of emergency food aid handled by WFP. This has almost doubled since the 1980s. In 1993, it reached $530 million and included 1.15 million tons of commodities. Although WFP provides assistance for a large number of emergency operations each year, a few large operations take a major share. In 1993, eight countries received four fifths of WFP emergency food aid.

74. Under the new working arrangements between WFP and the Office of the United Nations High Commissioner for Refugees (UNHCR), protracted refugee and displaced person operations account for between one fifth and one quarter of WFP total resources. In 1993, 900,000 tons of food, valued at $397 million, were managed by WFP. Ten out of 30 ongoing operations in 1993 accounted for 80 per cent of total WFP commitments for protracted refugee and displaced person operations. Commitments for these operations are normally for 12 to 18 months, depending on the assessed food needs of the operation and the prospects for repatriation or resettlement. Resource requirements are based on joint UNHCR/WFP assessments of total food-aid needs.

75. Non-food items was established as a category of resources by WFP in 1973 to support the non-food needs of WFP-assisted development projects. Contributions are requested in cash or in kind and inputs such as technical and administrative personnel, tools and equipment have been provided. In 1993, non-food items were received from 11 donors and valued at $11 million. Over recent years, there has been a decline in contributions to the non-food items category, although many non-food items for major relief operations have been provided as part of special appeals outside of WFP usual resource windows.

76. WFP has made a deliberate effort to increase the amount of food purchased in developing countries for use as food aid. In 1993, WFP food purchases amounted to more than 1 million tons valued at $263 million; 62 per cent of the food purchases were made in developing countries.

77. WFP provides a variety of services to donors to help them implement their own bilateral food-aid programmes. The Programme can render a combination of services, including purchase of commodities, ocean and overland transport, and monitoring and reporting on food distribution. By combining these services with WFP shipments, the Programme offers donors real advantages, such as better coordination of food aid, cheaper transport rates and channelling of food to areas difficult for them to reach. In addition, it also makes it possible for some donors to channel bilateral resources in support of multilateral emergency operations. In 1993, WFP provided bilateral services for 637,600 tons of food, valued at $137 million, mainly in Africa and Asia. Demand for WFP bilateral services has grown steadily.

## Notes

1/ The priority country status for UNFPA assistance is determined by satisfying the GNP per capita criterion of $750 or less and any two of the following criteria and threshold levels: annual increment of 100,000 or more to total population; gross reproduction rate of 2 or more per women; infant mortality rate of 120 per 1,000 live births or more; density of agricultural population on arable land of 2 persons or more per hectare; and a female literacy rate of 40 per cent or less. There are currently 58 countries identified as priority countries: 32 in Sub-Saharan Africa, 17 in Asia and the Pacific, 4 in the Arab States and 5 in Latin America and the Caribbean. Forty-two of the priority countries are also the least developed countries as determined by the United Nations.

## Annex II

## United Nations funds and programmes covered by the United Nations Pledging Conference for Development Activities

United Nations Development Programme

Special Measures Fund for the Least Developed Countries

United Nations Capital Development Fund

United Nations Revolving Fund for Natural Resources Exploration

United Nations Volunteers

United Nations Fund for Science and Technology for Development and United Nations Development Programme Energy Account

United Nations Trust Fund for Sudano-Sahelian Activities

United Nations Development Fund for Women

United Nations Children's Fund

United Nations Population Fund

United Nations Trust Fund for the International Research and Training Institute for the Advancement of Women

United Nations Habitat and Human Settlements Foundation of the United Nations Centre for Human Settlements

Voluntary Fund for the United Nations Decade of Disabled Persons

United Nations Trust Fund for Ageing

Trust Fund for the United Nations Programme on Transnational Corporations

Fund of the United Nations International Drug Control Programme

United Nations Youth Fund

United Nations Institute for Training and Research

United Nations Trust Fund for the Second Transport and Communications Decade in Africa

United Nations Trust Fund for African Development

United Nations Voluntary Fund for Victims of Torture

Trust Fund for the Economic and Social Commission for Western Asia Regional Activities

## Annex III

## Case-studies on the replenishment approach

### I. INTERNATIONAL DEVELOPMENT ASSOCIATION

1. The International Development Association (IDA), an affiliate of the World Bank, is the main channel of development assistance to the low-income countries and is one of the successful examples of a predictable, continuous and assured source of financing of development. Established in 1960 as the concessional arm of the World Bank, it obtains resources primarily from the rich countries and channels them to finance development projects and programmes in developing countries.

2. As distinct from the World Bank, IDA extends credits to be repaid over 35-40 years with a 10-year grace period before repayments commence. IDA does not charge interest, but the loans carry a small service charge, less than 1 per cent on the outstanding balance. IDA lends to Governments which, together with other lenders, match every dollar lent by IDA with 50 cents of their own money. The main sources of IDA funding are initial subscriptions, periodic replenishment, special contributions and transfers of income from the World Bank. Since its inception, there have been 10 replenishments, the last of which commenced in July 1993 for 3 years, for which donor countries promised additional money of SDR 13 billion, or $18 billion.

3. IDA membership is divided into two categories: Part I countries are developed or high-income members and Part II countries consist of its less developed or low-income members. IDA's first general replenishment of resources by its high-income, or Part I, countries became effective in 1964, when the replenishment paid in over a three-year period totalled about $757 million. Some Part II countries and some non-members agreed to participate in the subsequent replenishment.

4. The process of replenishment becomes effective when instruments of commitment and qualified instruments of commitment are deposited for about 80 per cent of the total replenishment, the former being a notification of intention to pay the full amount of its contribution and the latter a formal notification that the donor will pay a part of its contribution without qualification and the remaining being subject to necessary legislative appropriations.

5. In the beginning, subscriptions were determined in accordance with members' shares in the International Bank for Reconstruction and Development, which in turn were considered to reflect broadly their role in the world economy. However, since then, shares in each replenishment have been a matter for negotiation, using various indicators. Over time, about 30 different indicators have been developed to guide negotiations, on the basis of burden-sharing. These fall into four broad categories: (a) relative output and income levels; (b) financial capacity; (c) trading relationships with IDA participants; and (d) development assistance efforts.

6. There have been substantial changes in the shares of most IDA donors through successive replenishments. These reflect changes in the countries overall aid programmes as well as their economic strength. In the 1980s, for example, the rapid increase in official development assistance (ODA) from Italy and Japan was reflected in larger IDA shares, while the decline in ODA from the United States of America and the United Kingdom of Great Britain and Northern Ireland resulted in smaller IDA shares. Burden-sharing has moderated the decline in IDA contributions from countries with falling aid programmes, but it has also prevented IDA from participating on a proportional basis in expanding aid programmes.

7. This debate on IDA burden-sharing has centred on the difficulties of the largest donor, the United States, to maintain its share in constant real replenishment. Some donors have been faced with either agreeing to a reduction in the size of the replenishment, or accepting a lower United States share. Other countries have also shifted their shares from one replenishment to another, owing to the ease or difficulty of increasing nominal IDA contributions given their overall fiscal situation and aid budgets.

## II. INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

8. The International Fund for Agricultural Development (IFAD) was established in 1977, as a joint undertaking of industrialized countries and oil exporting countries, in order to contribute to solving the most serious problems of agricultural and rural underdevelopment, in close cooperation with the developing countries themselves. According to the agreement establishing IFAD, this was to be achieved by mobilizing additional resources to be made available on concessional terms for agricultural development in developing Member States.

9. The membership of IFAD consists of (a) Organisation for Economic Cooperation and Development (OECD) industrialized countries (Category I); (b) Organization of Petroleum Exporting Countries (OPEC) developing countries (Category II); and (c) recipient countries (Category III). Each group holds one third of the voting power of IFAD. Contributions are raised on the basis of replenishment formulas through negotiations.

10. Total initial resources pledged by members, valued as at 31 December 1980, amounted to $1,023 million, which was intended to cover the IFAD programme expenditures for the years 1978 through 1980. Category I countries contributed $571.4 million of the initial contributions; Category II countries contributed $435.5 million; and Category III countries contributed $15.7 million.

11. The overall level and share of initial contributions (1978-1980) to IFAD was the subject of lengthy negotiations between Category I and Category II countries. The main issue related to the extent of intended parity between their respective aggregate contributions. The final level of initial contributions was the result of intergovernmental negotiations, rather than the product of a predetermined, explicit set of criteria.

12. The first replenishment, covering the three-year period 1981-1983, amounted to $1.1 billion. This was achieved as a result of prolonged negotiations, which resulted in shares for most donor countries at levels different from those for initial contributions. The following chart lists contributions made to the initial capitalization, as well as to the first, second and third replenishments. IFAD is currently in the process of negotiating its fourth replenishment, which should have started in 1993.

| | |
|---|---|
| Initial contributions (1978-1980) | $1,023 million |
| First replenishment (1981-1983) | $1,101 million |
| Second replenishment (1985-1989) | $ 489 million |
| Third replenishment (1990-1992) | $ 567 million |

13. It is apparent that the levels of resources available in the second and third replenishment were much lower than the initial capitalization and the first replenishment. This decline is attributed to the state of the economies of the OPEC countries, which were subject to major reversals as a result of decreasing oil prices at the time the second replenishment was negotiated. Because of the decline in contributions by OPEC countries, the levels of resources from OECD countries declined proportionally, since the latter intended to retain approximate parity between the shares of the two major groups.

14. When the negotiations took place on the third replenishment, the OPEC countries indicated that they could not retain even these lower levels of contribution, given the state of their economies. The OECD countries then countered that, in order to maintain an approximate parity (60 per cent versus 40 per cent) between Categories I and II, they would have to reduce their contribution accordingly, and the projected total plummeted to some $320 million. In a high-level committee on IFAD's future financial requirements, established to examine the deadlock, the Category III countries then proposed that they themselves would make a major fund-raising effort, provided the Category I countries would provide three dollars for every dollar raised by Category III. As the developing countries mobilized $64.1 million, the OECD countries added $191.5 million to their regular pledge, stressing that this should not create a precedent for future funding, leading to an aggregate of $567 million.

15. The negotiations for the fourth replenishment started in 1991 and were suspended at the end of 1993. A target of $600 million was established by the IFAD Governing Council, but it has not been possible so far to mobilize sufficient resources from Category I and Category II donors within the tacit 60/40 formula. Proposals were made by the Category III countries that this formula should be adjusted so that the OPEC countries and the developing countries would jointly mobilize 40 per cent of the intended target, but this was not acceptable to the OECD countries, who pointed out that the tripartite distribution of voting rights in IFAD was not compatible with such a revised distribution of financial responsibilities. Thus far, no solution has been found.

16. This demonstrates that even a relatively stable funding mechanism such as the replenishment model does not guarantee any continuity beyond the time frame of each individual replenishment period. The IFAD experience also illustrates that issues of governance cannot be separated from burden-sharing.

## III. EUROPEAN UNION

17. Whereas development assistance from the European Union to countries in Asia, Latin America, the Mediterranean and Eastern Europe is financed from the Union's regular budget, assistance to associated countries in Africa, the Caribbean and the Pacific is provided through the Union's European Development Fund. The Fund was established in 1959 under the Implementing Convention annexed to the Treaty of Rome, and provides grants financed from contributions by Union members to its African, Caribbean and Pacific countries. Additional non-concessional resources, mainly in the form of loans, are also provided to developing countries by the European Investment Bank.

18. Since the Implementing Convention there have been six further replenishments, often referred to as Yaoundé I and II and Lomé I to IV. The main factors for determining the respective shares of Union member States in the European Development Fund have been per capita gross national product (GNP) and population, and while the replenishment contributions have been negotiated for successive periods, these have always remained very close to the amounts that Union members would have paid if the Union's regular budget's scale of assessment had been applied (which, after all, is based on the same criteria of GNP and population).

19. As each replenishment has taken the shape of an international convention, subject to ratification by European parliaments, it became an international legal obligation upon ratification, and therefore long-term commitments, for successive five-year periods, could be made outside of the regular budgetary cycles of member States. This allows the Fund to make fixed national and regional allocations to recipients for five-year periods and to draw up its programmes accordingly, without the threat of funding shortages.

20. Funds are called up as required, and an annual forecast is drawn up which then takes the shape of an annual budget. Since disbursements are made in accordance with actual needs, within the overall allocation, there is a certain amount of overlap between the various replenishment periods. Thus a project can be financed partially under Lomé III and partially under Lomé IV, for example. Moreover, as pledges are made in European currency units, there are virtually no unforeseen currency fluctuations that could destabilize programmes.

21. Negotiations on the next replenishment convention are currently being held, but there is some discussion whether aid to the African, Caribbean and Pacific countries should be brought under the Union's regular budget or remain under a separate structure. Advocates of the former solution argue that it provides even more stability, as it eliminates even the vestiges of negotiations, and that growth would be assured to the extent that the budget of the Union itself is expected to expand.

22. To the extent that the European Development Fund has been a source of stable funding, this is the result of the close link between the contributions of member States and the scale of assessment of the Union. As this link has never been questioned, it did not create conflicts in the process of target-setting for each replenishment period. The structure of the Fund also prevents problems related to governance, as the Union manages the Fund, and as the duties and obligations of both the Fund and its recipients are clearly spelled out in the treaties that establish the funding.

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